

Audubon Area Community Services, Inc.
Administrative Support Committee

MINUTES

February 12, 2009

The Administrative Support Committee for the AACCS, Inc. met at 11:26 a.m. in the agency's Board Room in Owensboro.

Members Present.

Ms. Daisy James
Rev. Jerry Manning

Mr. Thomas Platt
Ms. Betty Rucker

Mr. M. Douglas Smith
Mr. Doug Smith

Italics = Ex-Officio

Staff Present.

Ms. Cheryl Gatton, HR Director
Mr. Dennis Hagan, IT Director
Mr. Ronald Logsdon, Executive Director

Ms. Denise Marcum, Executive Assistant
Mr. Byron Mayes, Chief Financial Officer

Guests Present.

Mr. Jesse Mountjoy, Sullivan Mountjoy Stainback & Miller, PSC

Board Vice Chair M. Douglas Smith chaired the meeting.

OLD BUSINESS.

December 4, 2008 Meeting Minutes. The minutes of the previous Committee meeting were circulated.

Rev. Jerry Manning made a motion to approve the December 4, 2008 Administrative Support Committee minutes. Ms. Betty Rucker seconded the motion. Motion approved.

NEW BUSINESS.

Mr. Logsdon explained to the Committee that two meeting notices and one packet had been sent out for the "January/February" Committee meeting. The first, with packet, went out on January 20, 2009, for a January 29th meeting. But to the inclement weather (ice storm) that happened on January 26, 2009, the meeting was cancelled and rescheduled for February 12, 2009, with the second notice going out February 2nd.

Budget Review. Mr. Mayes asked the Committee members to look at the Indirect-only budget report. As of January 31, 2009, on the last page, Indirect's year was 58% complete. The revenues were at 54%. The 68% expenditure rate looked high, but it was really affected by the December insurance premium payment, he said. Mr. Mayes said he still has to allocate the 2008-2009 insurance premium across the programs. Mr. Logsdon said the "insurance year" runs December 8 through December 7 each year. Mr. Mayes stated that AACCS should be in pretty good shape for the year.

Mr. Logsdon stated that Head Start had determined that it would be replacing its current furniture with new furniture at the new building. Indirect will be getting the use of Head Start's older furniture, and that will save the Indirect Cost Pool some costs. Still, the Indirect Cost Pool will have to purchase appliances,

Board room tables and chairs, break room furniture, and tables and chairs for the lobby. Those will be significant furniture expenses.

Rev. Manning asked how the agency stood on surplus. Mr. Mayes said that AACS is okay right now, especially with GRITS since they are generating some surplus cash now. Head Start, too, had a significant local-resources carry-over last year, he said. Mr. Logsdon noted that Head Start annually receives a good amount of child care fees beyond the Head Start budget, and those are reflected both as program income and/or federal expenditure offsets.

Mr. Logsdon stated that the audit will likely show the Indirect Cost Pool as overspent last year. Mr. Mayes confirmed to the Committee that Indirect will have a FY2008 deficit. Ms. James asked if the agency could ask for a higher percentage. Mr. Logsdon stated that the Indirect Cost Rate is negotiated with the DHHS Division of Cost Allocation. Mr. Mayes stated that the agency retirement rate has been substantially increased as of July 1, 2009. Mr. Logsdon said there was a bill in the General Assembly to give some relief to the cities and counties. AACS is a Special District, but Mr. Logsdon is unclear whether that legislation covers anything other than cities and counties. Still, he said, AACS pays the same rate as they do. AACS certainly needs the same retirement contribution break, but that doesn't mean that we will get it, he said.

Mr. M. Douglas Smith asked Mr. Mayes if he had anything else to report. Mr. Mayes stated that his goal was to get the 2008 audit done by the end of the month.

Rev. Jerry Manning made a motion to accept Mr. Mayes' Indirect Cost Pool budget review. Ms. James seconded the motion. Motion approved.

NEW BUSINESS.

Revision to Agency Investment Policy / Section 3.A. Mr. Logsdon stated that the change in the previously adopted Investment Policy was in Section 3.A. The policy used to say that the executive director, with the approval of the Board, was the only person authorized to sign written agreements in terms of the Investment Policy. With this proposed policy change, the CFO will have been added.

There was a situation in January 2009 where the agency needed to make a change on the "stop" figure for its WellPoint stock, but because the executive director was out of town the agency was not able to act. Now under the new policy, the CFO will be able to do that as well as the executive director; the only requirement is that the CFO would have to be consulting the executive director by phone. AACS might have lost a few dollars in a subsequent sale of some of its stock because this policy was not then in place. Ultimately, some nearly 13,500 shares of AACS' WellPoint stock did sell because the Investment/Oversight Committee had set some "stop number" floors, but if the agency had been able to upped that "stop" figure a bit, say to \$40.00 instead of \$37.50 where it was at, AACS would have been able to sell fewer shares and get the same amount of money (\$500,000).

Ms. James made a motion to accept the revision to agency's Investment Policy/Section 3.A, authorizing the agency CFO, upon consulting with the CEO, to execute needed changes consistent with Investment/Oversight Committee standing orders. Ms. Rucker seconded the motion. Motion approved.

Building Projects' Update – Fifth and Foust Office Building. Mr. Logsdon stated that Head Start will be the first AACS department to move in to the new office building at Fifth and Foust. The second floor, Head Start's floor, will be finished first, and the Head Start central administration staff will begin moving in March 30th. It will be the first time in nearly twenty years that all of Head Start's administration will be housed under one roof.

Mr. Logsdon informed the Committee that he thought the agency was in pretty good shape on the building's cost, which he expects to be just over \$3.8 million. There have been some very modest additions and change orders, mainly with the electrical requirements and second floor reinforcement needs for the agency's information technology equipment.

A \$5 million bond issue under the Daviess County Public Improvement Corporation (DCPIC) is supporting the construction costs; AACS acts as the Daviess County Fiscal Court/DCPIC's designated agent for the bond issue and the construction project. The project is, he said, going to end up having just over \$1 million left that can be used to cover the bond principal repayment over the next three to four years. AACS' Counseling Services Department is *not* going to move into the new office building as originally planned. Rather, all if the Indirect staff will be relocating there. Counseling Services lost the \$2 million Kentucky Intensive Services Program (KISP) last year and is no longer able to meet the financial obligations under the AACS lease with the Daviess County Public Improvement Corporation.

St. Elizabeth Street Parking Garage. Mr. Logsdon stated that Mr. Lanham had talked with the Office of Transportation Delivery (OTD), Kentucky Transportation Cabinet. According to Mr. Lanham, OTD presently thinks there may well be money in federal "stimulus" bill, the American Recovery and Reinvestment Act of 2009, for phase II of the parking garage. If so, AACS will try to access that funding and inject it as quickly as possible so as, hopefully, to delay any AACS payment toward the project.

AACS has sold some WellPoint stock and now has some \$502,000 in a reserve account that could be used to pay out phase I. Mr. Logsdon said that he was hopeful for getting that "stimulus" money flowing so AACS could gain some appreciation on its money during the period of time the federal money instead would be used to fund the project. However, Mr. Logsdon stated that a couple of Board actions were necessary to put contingencies in place in case the "stimulus" funding was not received for phase II of the parking garage:

Contingency Loan from the AACS Insurance Premium Fund Balance. Mr. Logsdon told the Committee that some five-to-three years ago the agency had engaged in a "contingent premium" arrangement with Anthem. The first year, AACS retained some \$700,000 beyond Anthem's settlement costs. AACS has since used some of that money for the walking track at Fifth and Castlen Streets. One year, the agency used a significant portion of that fund to offset Anthem health insurance premium-increase costs for employees. That fund was now down to something in the high \$300,000, he said.

Mr. Logsdon said that he had Ms. Gatton, HR director, to do some work to determine the agency-employee co-pays on the Anthem premiums over the past seven years. As the calculations show, AACS paid about 86% and employees paid about 14% over that entire period of time. The calculations were done to make sure that he knew how much of that "anybody" other than the agency itself could potentially come back and make issue or claim. But with the offset on the premium increase some three years ago, AACS has more than exceeded the 14% that any non-agency claimant might have sought, he said. So everything that is left in the agency fund is clearly agency-owned.

Eventually, he said, it is possible that AACS is going to have to come up with about \$250,000 toward finishing out the contract of phase 1 of parking garage. He would like to defer any AACS payments from the recent WellPoint stock sale of 13,500 shares. Just in case, he said, he asked the Board for its approval to borrow at least \$250,000 from that insurance premium fund. Mr. Logsdon said that he did not want to go to a bank during these times to borrow any money, and it was unnecessary to do so.

Ms. James made a motion to recommend Board approval for the contingency to borrow \$250,000 from the insurance premium fund as an internal loan, if needed, toward

completing phase I construction obligations on the parking garage. Rev. Manning seconded the motion. Motion approved.

Appraisal and Possible Sale of GRITS Office at 1416 West Ninth Street. Mr. Logsdon stated that AACCS owns the GRITS office at 1416 West Ninth Street. Mr. Logsdon said he has asked Mr. Lanham to locate an appraiser with a view toward valuating the property for subsequent sale. Shelton Appraisal Service has been hired to perform the appraisal on the property. Mr. Logsdon noted that it has been said that Schwartz Heating and Cooling, next door, was eager to acquire the property.

Mr. Logsdon noted that he didn't have authority to sell agency property without Board approval. As with the prior action requesting a contingency for coming up with phase I parking garage final payment, he asked for the Committee to recommend Board approval for him to do so with the present agency-owned GRITS office, which he said had already been proposed to the Office of Transportation Delivery and who had "blessed" the action.

This would be a *contingency* action as well. If AACCS gets phase II parking garage funding, obviously, GRITS would stay where they are at for another year or so. If AACCS doesn't get phase II funding, GRITS will be making the move to the new parking garage, have no further need for its present property, and then AACCS would like to sell the property on West Ninth Street. Mr. Logsdon said that he thinks the agency can get a quarter of a million dollars for GRITS' old building. That, in turn, could offset the need to borrow internally the \$250,000 that was just recommended for Board approval to take out of the health insurance premium fund.

Rev. Manning made a motion to recommend the Board's contingent approval to sell the 1416 West Ninth Street sometime in the spring of 2009 if there were no phase II parking garage funding forthcoming from the "stimulus" bill and GRITS made the move to its new parking garage facility. Mr. Thomas Platt seconded the motion. Motion approved.

13,500 Shares of WellPoint Stock Sold. Mr. Logsdon stated again that 13,500 shares of WellPoint stock had been sold in order to generate the \$500,000 approved by the AACCS Board in mid 2008 for the construction of the parking garage. He said that the sum earned was \$500,258.28, but that after commissions the net amount was \$500,258.28. The agency has 26,958 WellPoint shares remaining, he said.

An Investment/Oversight Committee meeting was held earlier in the morning. It authorized the BB&T investment broker that if he finds a really "hot" prospect stock for the agency, and if WellPoint reached a level of \$45.00 a share, to sell 5,000 WellPoint shares in exchange for that other "hot" stock. Mr. M. Douglas Smith commented that the agency is looking at not selling more than 20% toward this diversification. Mr. Logsdon said that over the next year or two, the agency will continue to diversify its portfolio. Right now, it is 100% all in one stock, WellPoint.

Audit Review Committee Recommendation on FY2009 Audit Engagement. Mr. Logsdon informed the Committee that he had heard reports from the auditors earlier that morning and got a solid agreement for the audit to be completed by February 28. The Committee was clear to the auditors that the audit had gone on for six months, the work largely concerning Mr. Payne's fraud.

The Commonwealth of Kentucky, he said, required a letter of engagement for the FY2009 audit to be in by March 1st. The Audit Review Committee agreed to recommend that AACCS negotiate again with Alexander and Company, but AACCS would insist on another chief auditor.

Ms. James made a motion to endorse the Audit review Committee's recommendation to the Board regarding the FY2009 auditor engagement. Ms. Rucker seconded the motion. Motion approved.

Certification of Filing and Payment of Federal Taxes. Mr. Logsdon told the Committee that AACS had received from DHHS, Administration for Children and Families in early January of the agency a required form to certify that AACS was current in all the income tax filings for the past three years that all federal withholding and taxes had been paid. Board Chair Judge Reid Haire had already signed the document, which had to be submitted within thirty days of its receipt. If AACS didn't get this done, said Mr. Logsdon, the agency would not get its funding. Since this matter had already been taken care of since the planned January 29th Committee meeting, no further action was needed.

By-Laws Amendments. Mr. Logsdon said that two changes needed to be made in the Board's By-Laws. One was needed to bring the agency into compliance with the Improving Head Start for School Readiness Act of (December) 2007. The other change originated from an Audit Review Committee request.

“Audit Review Committee” Proposed Committee Name Change to *Audit Review and Risk Management Committee*, Article VIII, Section 1.e. Mr. Logsdon stated that the Audit Review Committee decided that it was appropriate for the committee to take on risk assessment oversight and responsibilities. Mr. Logsdon referred the Committee to the handout packet to review the proposed revisions in Article 8, Section 1.e. There was a lengthy discussion about risk management matters and the current federal emphasis for governing boards to embrace that role and responsibility.

Rev. Manning made a motion to recommend to the Board that it changing the By-Laws references to the “Audit Review Committee” to be formally changed become the Audit Review and Risk Management Committee. Ms. James seconded the motion. Motion approved.

Board Composition – *Board Attorney & Early Childhood Consultant.* Mr. Logsdon said the other needed By-Law change was in Article III, Section B, Subsection 2. Mr. Logsdon read the proposed new paragraph, “Pursuant to the Improving Head Start ...,” aloud to the Committee members. Mr. Logsdon stated that he recommended adding that amendment to the Board's By-Laws. This would help AACS get in compliance with current law and prepare itself for the triennial federal review.

Rev. Manning made a motion to recommend to the Board adding the amendment – Article III, Section B, Subsection 2 – adding to the Board's composition a Board attorney, an early childhood consultant and qualified financial advisors. Mr. Platt seconded the motion. Motion approved.

Board Composition – *Board Attorney, Early Childhood Consultant, and Financial Advisors.* Mr. Logsdon review the current (2009) AACS Board composition, which includes Board counsel Jesse T. Mountjoy, attorney at law; early childhood consultant, Margaret Bailey; and a substantial number of qualified financial advisors. He asked all those who were so qualified in financial matters to please provide him their resumes.

Mr. Logsdon also referred the Committee members to the Board Domains Oversight Chart in the handout. The chart is also posted on the AACS website. The website also has a listing of 2009 Board members by sector and county. Mr. Logsdon stated the agency is getting all those things “shaped up” because the federal triennial review is soon forthcoming.

“The Grant Management Process” – Section 10.7 of the AACS Financial Policies and Procedures Manual. Mr. Logsdon said that the Senior Staff had recommended incorporating the new “Grant Management Process” statement to the agency's Financial Policies and Procedures Manual. The placement for that policy statement would be a new Section 10.7. As an amendment to the Financial Policies and Procedures Manual, it needs Board approval. Mr. Logsdon asked the Committee to recommend that policy addition to the Board.

Ms. James made a motion to recommend to the Board to insert "The Grant Management Process" as Section 10.7 of the Financial Policies and Procedures Manual. Ms. Rucker seconded the motion. Motion approved.

AACS Affirmative Action Plan, 2009. Mr. Logsdon said this item usually done at the Annual Board meeting but was not done in December 2008, needed current Board approval. Ms. Gatton stated there were few changes from the 2008 Plan. She gave a brief review of the proposed plan. Ms. Gatton stated that several grantors require that the agency have the annually approved plan in place.

Rev. Jerry Manning made a motion to recommend Board approval of the AACS Affirmative Action Plan, 2009. Ms. James seconded the motion. Motion approved.

STAFF REPORTS.

Independence Heights. Mr. Logsdon stated that AACS is working to get former foster youth into Independence Heights. But AACS is having a hard time connecting with the state authorities to get referrals from the foster youth community.

He also stated that Wabuck Development Company/Homeland, AACS' partner in the project, was pressing forward to fill the units with whomever as soon as possible. The timely delivery of tax credits is at stake, he said. So Wabuck Development Inc. is filling the units with *non* foster youth people. Mr. M. Douglas Smith asked if the potential for foster youth was still there even though it's filled with non-foster youth people. Mr. Logsdon said yes.

President's Place. Mr. Logsdon told the Committee about this new project to be built off Highway 54 in southeast Owensboro. Tax credits have been approved by Kentucky Housing Corporation, about \$9.2 million dollars in tax credits. AACS and Wabuck are now working to find investors to provide the equity funding. They have talked to BB&T and National City/PNC Bank, because they do a lot of tax credit work. BB&T is hopefully going to be interested in a 49% stake. But initial word from PNC Bank is that they have "no appetite" for tax credits this year. Nothing yet is firmed up with BB&T either, he said. It's a tough market for tax credit projects right now. When we were doing the tax credit projects last year, the investors were bidding \$.92 or \$.93 for each dollar of tax credit. Now, it is about \$.70 or \$.72, if anyone will bid at all. It all has to do with the economic crisis going on now. The tax credit projects are *not* primarily funded with public money, but with private money. If AACS doesn't manage to get investors, it could lose those Presidents Place tax credits.

American Recovery and Reinvestment Act of 2009 ("Stimulus" Bill). Mr. Logsdon stated that the agency was going to get a lot of money from the stimulus package. Head Start was slated to get \$2.1 billion, but with the middle people, Head Start was cut back to a little over \$1 billion. Weatherization is slated to get \$2.9 billion dollars. Right now, the whole total funding for Weatherization is ½ billion dollars. At one point, they were proposing 13 fold increases which is 13 times more money as what President Obama wanted. We could not implement a program in a two year span with that much money. As it looks right now, we will be getting about six times as much money in the home Weatherization program. CSBG is going to get at least an extra \$200 million and maybe a little bit more. The Child Development Block Grant will be getting about a \$2 billion dollar increase. Most of AACS' programs will fair well out of the "stimulus" package.

"Role of boards critical during crisis". Sharing this interesting reference piece with the Board members, Mr. Logsdon commended the members for being marvelous through any crisis.

Child Care Assistance Program. Mr. Logsdon stated this is the first time in more than ten years that the agency has had to re-submit on a "RFP" for the Child Care Assistance Program. Mr. Logsdon said that

he was certainly hopeful the agency would again be selected to operate this program across western Kentucky.

Terry Payne Indictment ... and Reported “Settlement” Efforts. Mr. Mountjoy stated he had been in touch with Mr. Bruce Keugel, Daviess County Commonwealth’s Attorney, and would like to soon have a meeting with him and Mr. Logsdon about negotiating with Mr. Pat Flaherty, who represents Mr. Payne, to see what kind of restitution would be negotiated concerning embezzled funds from AACS. Mr. Mountjoy said he needed to advise Mr. Keugel of AACS costs of legal fees and accounting fees that would be subject to restitution. Mr. M. Douglas Smith suggested that he and Judge Haire should also be involved in that negotiation.

Blue Grass Airport and other “Scandals”. Mr. Logsdon shared with the Committee members a Lexington Herald-Leader article of fraud, waste and abuse at the Lexington airport.

LKLP Unpaid Debt to AACS. Rev. Manning asked Mr. Mountjoy about the situation concerning LKLP denial of the \$127,000 payment for services owed to AACS. Mr. Mountjoy said that he has been in communication with Mr. Lanham and he was working on putting together a very detailed narrative for an arbitration request to incorporate the facts from AACS’ standpoint. If LKLP denies AACS an arbitration hearing, AACS can then go to court. Either way, someone will hear that LKLP owes AACS money, he said.

Finance. Mr. Mayes stated that he didn’t have anything further to add, just that his staff is working diligently to get the audit completed.

Information Technologies. Mr. Hagan stated that he was trying to keep the construction projects going. Mr. M. Douglas Smith asked how the agency survived during the recent ice storm. Mr. Hagan told the Committee that AACS had thirty-five sites down. He said it took about two weeks to get those sites fully recovered. Mr. Hagan mentioned that Mr. Jimmy Wellman had just recently resigned and is pursuing his own business. Mr. Hagan also mentioned that he had talked with Mr. Logsdon about strengthening a relationship with a third party vendor instead of hiring another IT person.

Mr. Hagan said that the Fifth and Foust office building cabling was moving very well. He said he recently finished identifying a Uninterruptable Power Supply (UPS) provider for the new building. The emergency power generator has also been hammered out. The new building will, thus, be prepared for better functioning during any more disasters, and the security aspect will be similar to a banking system.

Human Resources. Ms. Gatton informed the Committee that a “concerned” letter had been sent by an employee to Mr. Nehring about the pay difference between a Teacher Associate and Lead Teacher. She stated it was a one-page letter (that had eighteen pages of documentation attached, mostly relating to gender pay disparities). Ms. Gatton also stated she gave duly noted concern to the anonymous letter, the position description differences, who is in charge, who’s assisting and so forth.

Ms. Gatton informed the Committee that her department just sent OSHA reports to Audubon’s 100 locations. Ms. Gatton said she had also completed a few more position descriptions in the new performance-based format. She said that she was assisting Head Start in preparing for the triennial federal review. Ms. Gatton mentioned that AACS posts new jobs on MyCareerNetwork.com, and she just received notification from them that they will now be feeding out AACS job notices to the state employment service offices.

Ms. James also stated that her Child and Family Committee had increased the levels of pay for Teacher Associates and Lead Teachers. She also stated there had been some concern about the competitiveness of AACS Head Start teachers’ salaries versus those with the school boards.

ADJOURNMENT.

There being no further business,

The meeting was adjourned at 12:38 p.m.

Mr. M. Douglas Smith
Acting Committee Chairperson