

Audubon Area Community Services, Inc.
Administrative Support Committee

MINUTES
March 30, 2009

Following lunch, Committee Chairperson Judge Larry Whitaker called the Administrative Support Committee to order at 12:25 p.m. in the agency's Board Room in Owensboro.

Members Present

Ms. Daisy James
Ms. Joanne Kendall
Mr. Jerry Manning

Mr. Thomas Platt
Ms. Betty Rucker
Mr. Keith Sanders

Mr. M. Douglas Smith
Judge Larry Whitaker

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

OLD BUSINESS.

February 12 2009 Meeting Minutes. The minutes of the previous Committee meeting were in the meeting handout.

Rev. Manning made a motion to approve the February 12, 2009 Administrative Committee minutes. Mr. Smith seconded the motion. Motion approved.

NEW BUSINESS.

FY2009 Indirect Budget Review. Mr. Mayes advised the Committee that the February 2009 report reflected the liability insurance renewal payment fully charged to Indirect, not yet reimbursed by the departments' respective shares. Those adjustments were done after the financial report was printed, he said. Nothing seemed to be out of line with the Indirect Budget, he added.

Mr. Logsdon stated that AACS was getting ready to submit a new Indirect Cost Proposal and enter a new rate negotiation for the subsequent year. The agency hopes to be able to keep the 15.5% rate level, he said. If the rate goes down, that might present a bit of a problem for the FY2010 Indirect Budget. A good budget for Indirect to work with is around the current year's \$1.65 million level, he said. Mr. Mayes said the proposal and rate negotiation will begin very shortly, since the FY2009 audit upon which the proposal is based is close to completion. Mr. Logsdon said that Indirect works off of a percentage-of-salary basis that is annually negotiated, so the chargeable rate tends to fluctuate every year. It is not a grant, but the agency negotiates a rate with the DHHS Division of Cost Allocation and then applies the approved rate/percentage against each program's direct wage/salary costs.

Building Projects Update. Mr. Logsdon gave the Committee a current status report on all agency building projects presently underway:

Fifth and Foust Office Building. Mr. Logsdon informed the Committee that AACS had possession of the new Fifth and Foust office building. There were a few things that were not yet completed, though – wallpapering the bottom section of the new Board Room, and the pull-down blinds not yet installed all around the building. Still, the agency now has permission to start moving into the building. The IT department has already substantially relocated there because the IT Suite and server room there will serve as the agency's IT nerve center. Head Start expects to move to the new building in mid May. All departments to be relocated there will begin soon moving miscellaneous items and files over there, but the building won't be occupied with staff until mid May. Therefore, the April Board meeting will have to be held in current Central Office, mainly because the Board Room furniture will not have arrived by April 21st.

St. Elizabeth Street Parking Garage. Mr. Logsdon advised the Committee members that the Federal Transit Administration (FTA) and the Office of Transportation Delivery (OTD)/Kentucky Transportation Cabinet had approved \$3.4 million in Phase II funding to complete the downtown Owensboro parking garage. He asked Mr. Lanham to present the known details on the parking garage. Mr. Lanham noted that in the handout packet was an elevation drawing of garage with its Phase II appearance. The lightly shaded area in the lower right corner represents what is there now and the darker area is to be added under Phase II, he said. The GRITS office space, part of Phase I, is virtually done. Nothing yet has been done on Phase II, and it won't until AACS gets an agreement from Hartz Construction as what their final price for Phase II. The State has approved AACS going ahead, though, and awarded the American Recovery and Reinvestment Act (ARRA) grant. The state OTD really went to bat for GRITS with the FTA, he said. The contractor (Hartz) says the complete project will be finished in October 2009, but Mr. Lanham, a former contractor, said he didn't think it won't be until December. OTD and FTA say they would prefer the project to be completed no later than December 31, 2009.

Contingency Authorization of \$250,000 Loan from Insurance Premium Fund Balance. Mr. Logsdon reminded the Committee that it had recommended Board approval of this same contingency item at its February 12, 2009, but the Board Chair had asked at the February Board meeting that that action be deferred to April so that funding and costs might have more time to clarify, which has now become more clarified. For one thing, he said, AACS will now *not* be able to use the property sale contingency that the Board did approve, that is, the sale of the current GRITS building because Mr. Lanham and his department have to stay in that building until the new complex is completed later this year.

It is still up in the air as to whether the agency will have to come forward with some final payments (such as "retainage" and the agency's \$500,000 commitment) by June 2009 on Phase I. If the agency does, then it will need to have as much as \$250,000 that the agency will have to pull from AACS-held sources.

Just as a contingency, he said, in case AACS does have to come forward with cash of that magnitude in late May or June, Mr. Logsdon asked the Committee to again recommend this same contingency plan to the Board again for approval at the April meeting. Judge Whitaker asked if there were any questions. There were none.

Mr. M. Douglas Smith made a motion to once again extend its recommendation to the Board that it approve the contingency authorization of \$250,000 loan from the agency's Insurance Premium Fund balance in order to meet any May/June 2009 parking garage short term obligations that may come due. Ms. Betty Rucker seconded the motion. Motion accepted.

Owensboro Regional Recovery (ORR) Center. Mr. Logsdon told the Committee that he briefly attended an ORR construction progress meeting earlier that morning and signed the current month construction draws. Mr. Logsdon stated that as the co-general partner and the fiscal agent for ORR he signs those and other required documents for the partnership. PDC Construction Company requested an additional \$183,000 in payment this month. Thus far, approximately one-half million has been spent constructing the ORR facility, he said. Also, the partnership (with Lighthouse Recovery, Inc.) recently approved a \$147,000 change order that was for some 3½ million pounds of lime plus \$10,000 in concrete that was required to stabilize the site's soil before the builder could put in the facility's foundation.

Independence Heights / Horizon Place. Mr. Logsdon said that 25-unit Independence Heights property next to Seven Hills Elementary School in southeast Owensboro was now fully leased up. Independence Heights and Horizon Place operate under a single (combined) corporate entity. The properties' tax-credit delivery are guaranteed by Wabuck Development and its housing management done under its Homeland property management subsidiary.

Horizon Place has two major buildings with one building having twenty-six (26) apartments and the other one having eight (8) apartments. The eight-unit building is in the process of being leased up. The larger building is expected to be ready for occupancy in June.

Presidents Place. Mr. Logsdon again shared with the Committee the current year project's award from Kentucky Housing Corporation (KHC), which was \$945,419 per year in tax credits — that means about \$9.5 million in tax credits. Those, he had been advised by Wabuck, have been claimed for syndication by Boston Capital, with BB&T expected to purchase a 49% share. The project also received \$599,880 grant from the Federal Home Loan Bank of Cincinnati and a \$131,822 Affordable Housing Trust Fund grant from KHC.

AACS and its Wabuck developer have option to purchase the twelve-acre site behind The Springs. Mr. Logsdon shared the architect's layout of what the sixty-unit senior project, with large community building, was going to look like. Mr. Logsdon said he talked with Wabuck last week and they expected to break ground on the project about late July or August. That will complete all of the tax credit projects, which represents over \$30 million, AACS has been involved with in the past two years.

Report of Investment/Oversight Committee. Mr. Logsdon advised that the Investment/Oversight Committee had met earlier in the morning with new investment professionals from BB&T. It was decided to refer the agency's Investment Policy to Mr. Mountjoy for a legal review over the next two weeks. The Committee also received a report from BB&T Asset Management, Inc. proposing to do a greater level of professional support and service with AACS' stock portfolio at .99% of the value of that portfolio for a year. The Committee is considering that proposal, he said, and expects to reconvene after Mr. Mountjoy's review of the Investment Policy and consider the BB&T proposal before the April Board meeting.

FY2008 Organization-wide Audit/Report of Audit Review Committee. Mr. Logsdon also advised to the members that the FY2009 organization-wide audit was to have been reviewed earlier that morning, but that Alexander & Company had not finished the audit so and there was

none to review. The audit had been promised by the auditors by the end of February. The March 30th audit review meeting was subsequently arranged upon the advice and designation of that date by Alexander & Company. Mr. Logsdon said that when he received the audit, and particularly the findings page, he would get it out to the Audit Review and Risk Management Committee members.

Terry L. Payne Fraud Settlement. Mr. Logsdon reviewed for the Committee members, many of whom were present for that meeting, of Commonwealth's Attorney Bruce Keugel's presentation before the Audit Review and Risk Management Committee of a possible settlement with Mr. Payne and the indictment against him that the Grand Jury has returned. Mr. Payne's attorney, Mr. Pat Flaherty, had asked that the Commonwealth's Attorney negotiate that case rather than go to trial, which would probably occur in October 2009.

The Audit Review and Risk Management Committee approved a plan whereby AACS would recover the nearly \$40,000 that Mr. Payne's fraud has cost AACS. The balance beyond the \$15,159 taken, less the \$7,747 repaid, was in professional fees it cost AACS to investigate the fraud, get a forensic audit, pay the independent auditors, and pay the agency attorney for work directly related to the fraud. Mr. Logsdon stated he didn't know if the earlier committee's action needed approval by this Committee in terms of recommending action to the Board, but that the Audit Review and Risk Management Committee was a sub-committee of the Administrative Support Committee.

Mr. M. Douglas Smith made a motion for the Commonwealth's Attorney, in lieu of going to trial, to negotiate with Mr. Payne's attorney and offer a settlement to recover the agency's nearly \$40,000 from Mr. Payne — which includes the non-restituted fraud itself, the cost of a forensic audit, paying the auditors for their fraud investigation, and paying the agency attorney for costs AACS has incurred because of the fraud. Ms. Daisy James seconded the motion. Motion accepted.

FY2008 IRS "990" – Delayed. Mr. Logsdon said he had learned late last week that the FY2009 IRS Form 990 report would not be ready with the draft audit. He said that he was still hopeful to have the "990" by the April Board meeting.

GRITS FY2010 Refunding Resolutions. Mr. Logsdon stated that every year whenever GRITS does its refunding proposals, it is necessary that the Board pass two (2) Resolutions. One is to authorize the signer, Executive Director Mr. Logsdon, for all those grants. The other one is for the agency's commitment of the non-federal share. The "5311" money is GRITS' Operating Subsidy, a 50/50 grant. The "5310" capital assistance grants are typically 10% local match grants. Basically, AACS is assuring the Office of Transportation and Delivery of the Transportation Cabinet and that the agency will come up with that. GRITS and Mr. Lanham have never had any trouble coming up with the match for those, he said. A recommendation for Board approval is needed for both of those Resolutions.

Mr. Lanham explained that the Operating Subsidy program was very difficult to calculate. Basically, a grantee has to lose \$1 million to get \$500,000, he said. The vehicles have a 10% match requirement, unless it's a hybrid vehicle, then there's no match.

Mr. Platt made a motion to recommend Board approval of the two GRITS FY2010 refunding Resolutions — for the executive director to sign the grant proposals and the agency's commitment for the required match. Mr. Smith seconded the motion. Motion accepted.

LKLP's GRITS Human Services Transportation Delivery (HSTD) Subcontract Settlement Offer. Mr. Logsdon informed the Committee that LKLP ended its HSTD subcontract with AACS/GRITS as of June 30, 2008, when its Green River Area (Region 3) HSTD contract with the Commonwealth ended. After that, LKLP decided not to pay AACS an amount due of \$127,000. LKLP wanted to maintain that it didn't owe AACS the money due to billings outside their time frame. But AACS continued to assert its claim, and LKLP now makes an offer to settle their indebtedness to AACS.

Mr. Mountjoy explained the March 25, 2009, letter in the handout packet from LKLP's attorney, Calvin Tackett, in response to his February 27 demand letter that they pay AACS the full \$127,000. Typical with lawyers, said Mr. Mountjoy, prior to making his offer Mr. Tackett commenced to tell him how great a case he has. But LKLP did offer to settle for \$75,000.

The AACS Board needs to consider the settlement offer from a standpoint of a couple of things. The first one being there is what appears to be in that subcontract or the terms, a provision for arbitration and Mr. Mountjoy had proceeded to advise the LKLP attorney who AACS' arbitrator would be. If some settlement were not reached, AACS would proceed to arbitration. Of course, there would then have been the expense of going to Hazard for the arbitration, the expense of preparing for arbitration, having the arbitration, and perhaps as well having to follow up in any court with the arbitration outcome taken into account. Given his client's position before, which was that they would not pay anything, not only to have received an offer, but to have an offer of \$75,000 is quite significant. The next question is, does AACS accept LKLP's offer or does the Board authorize its attorney to negotiate up from the \$75,000?

Mr. Logsdon said he is inclined to take their offer. Rev. Manning asked if AACS could say that it would accept the \$75,000 and defer the balance of payment due. Mr. Mountjoy said that is one alternative and he gets the impression that LKLP is suffering from some type of cash flow issue. Mr. Lanham expressed his opinion that AACS could go to arbitration and AACS may get \$75,000, or it may get \$127,000, or it may get nothing. He favored a move to at least get something. Rev. Manning expressed his opinion that arbitration could cost AACS more money, so go for the \$75,000 and ask that LKLP payment be forthcoming immediately.

Mr. Mountjoy said he would insist that LKLP issue a promissory note to AACS. If anything happens to them, then that allows us a quicker law suit.

Rev. Manning made a motion for Mr. Mountjoy to proceed to negotiate with LKLP for no less than \$75,000 payable in a 30-day period, but also give AACS' attorney leeway to make a different request for the rest of the amount up to a 90-day period. Mr. Smith seconded the motion. Motion approved.

Salaried Position Classification Chart Revision. Mr. Logsdon advised the Committee members of the proposed Grade 26 Weatherization Manager position being added to the Salaried Positions Classification Chart. With the expected \$3.5 million ARRA increase in the Weatherization Assistance Program, a full-time Weatherization Manager is needed.

There have also been discussions about adding a GRITS Program Assistant/Technologies position, but that hasn't yet made it to the chart before the Committee. Mr. Lanham stated that GRITS is looking for a new software package, and alternatives are presently up for bid. The ARRA is going to require a lot more paper work and a lot more reporting, he said. There is a new \$2 million grant out called the "Tigger Grant," and GRITS wants to apply. GRITS much needs someone to help with its reporting. When the state OTD calls, they want an answer that day. It's gotten to be a burden for Mr. Hagan and for AACS, so GRITS is looking for someone who has

experience using the SQL and Crystal Reports to promptly and accurately generate needed reports.

Ms. Gatton stated the reason why this position didn't make the chart because she, Mr. Lanham and Mr. Hagan had not yet been able to get together and discuss how much IT experience the new position needs to bring to the table. Mr. Logsdon asked if this position will be prepared by April. Ms. Gatton said yes, they were ready to move forward on it. As far as sitting down and deciding the education and experience for that position, that yet needs to be done, she said. Mr. Logsdon stated to the Committee that these positions need a general approval that this position will be added.

Mr. Smith made a motion to accept the Salaried Position Classification Chart Revision – Weatherization Manager at Grade 26 and the Program Assistant/Technologies for GRITS at a grade yet to be determined. Ms. Betty Rucker seconded the motion. Motion accepted.

STAFF REPORTS.

MANAGEMENT & GENERAL

American Recovery and Reinvestment Act, 2009. Mr. Logsdon informed the Committee that the agency's expected ARRA funding had been put on the AACS website. Mr. Logsdon noted the copy of the website page that was included in the mailed out packet. He read off the amounts that each program will likely get in ARRA ("stimulus") funding.

Mr. Logsdon stated that AACS was likely going to be getting somewhere in the range of \$10-\$14 million through the ARRA. Mr. Lanham added that he had earlier in the day received in the mail OTD's award letter for \$4.1 million in ARRA funding.

Mr. Manning asked what were the "next steps" with respect to the \$783,000 Community Services Block Grant (CSBG) ARRA funding. Mr. Logsdon said the CSBG management had sent him an RFP-type outline and he was going to approve that after this meeting today. The CSBG management would be sending that out to those who came to the March 19th prospective subcontractors' meeting. It will outline what their proposal would require and should look like.

Mr. Logsdon said that AACS gets a little over a half million a year in CSBG money to fund the agency's general assistance, casework and Low-Income Home Energy Assistance Program (LIHEAP) network around the seven county Green River Area. AACS' CSBG operation is going to expand and strengthen that a little, but he didn't think the agency could alone spend \$783,000 on top of its current \$.5 million CSBG grant. AACS does not have the facilities and probably doesn't have the means to spend an additional \$783,000 over a 15-month period of time, he said. So the agency is reaching out to potential community partners that can help AACS meet eligible community needs. AACS hopes to be able to share CSBG's ARRA money and have a lot of community partners doing much good work with the "stimulus" funding.

DHHS/ACF's Head Start Risk Management Review. Mr. Logsdon mentioned that the Administration for Children and Families would conduct its annual Risk management Review on Wednesday, April 1st, at 9:30 a.m. local time. Any Board member could join the telephone conference from their home or office, he said, and he provided them the call number and passcode for that purpose.

Head Start's Triennial Federal Review. Mr. Logsdon told the Committee that AACS received a letter from DANYA, the federal contractor that handles logistics for all the Head Start triennial

reviews. The triennial review will begin April 26th. The federal Review Team will comb through everything, not just Head Start, but the entire agency, because they view their work as being about agency strength and agency systems as well as Head Start as one of the agency's grants. The Review Team will do in-depth assessments in personnel, fiscal, and perhaps even the IT departments.

The team will also be talking with AACS Board members. Governance is a huge concern of theirs. They want to know that the Board really does govern. Ms. James' Child and Family Committee had, he noted, worked especially hard over the past year getting prepared for the review. Ms. James stated that her Committee had an informational sheet on the tool that the reviewers will be using.

Transfer of Weatherization to Kentucky Housing Corporation. Mr. Logsdon informed the Committee that the state is getting \$74 million out of the ARRA. That level of funding receives a lot of attention, he said. KHC had gotten quite interested in it, while at the same time the Cabinet for Health and Families' interest in Weatherization had waned over recent years. So the Finance and Administration Cabinet (FAC) has worked out a transfer of that program from the Cabinet for Health and Families (CHFS) over to KHC. The FAC Secretary and KHC are assuring everyone that Community Action Agencies will continue to administer the program as far into the future as anyone can see.

Time Extension for Indirect Cost Proposal. Mr. Logsdon advised the Committee members that because of the late delivery of the audit AACS had requested and received approval from DHHS/Division of Cost Allocation for an extension of time to submit its Indirect Cost Proposal. That proposal will go in as soon as possible, he said.

National Community Action Foundation's ARRA Review. In the handout packet was a brief update from the National Community Action Foundation (NCAF) on some issues to do with the ARRA "Recovery Act" and the FY2010 appropriations. President Obama's FY2010 budget was submitted to Congress, but there has been some resistance and pull back. While grantees are doing quite well through the "stimulus" program it does not guarantee that they are going to do quite so well during the out years' appropriations.

FINANCE DEPARTMENT.

Mr. Mayes stated that he has nothing further to add, except that the agency was very close to having the FY2009 organization-wide audit finished.

INFORMATION TECHNOLOGIES.

Mr. Hagan informed the Committee that his department was working diligently to move the data center into the new Fifth and Foust office building. The UPS installation will be completed tomorrow. Mr. Hagan stated that over the weekend OMU had turned on the fiber circuits to connect the new building and Central Office, and that will help with the transition. Mr. Hagan expects the IT department will be moving over to the new building the first of the following week and he hopes to soon have the data operations center there in production.

HUMAN RESOURCES.

Ms. Gatton stated she had nothing major to report, but as of today, 40% of AACS employee's have five or plus years of work experience, 21% have more than 10 years and 5% have over 20 years.

Executive Director's FY2009 Performance Appraisal. Mr. Logsdon noted his evaluation was again due and needed to be done prior to the April 26-May 1 federal review. The Administrative Support Committee did the director's performance appraisal the previous year and he requested that the Committee do it again this year. He noted that he had sent out the Performance Appraisal form to the Committee with the meeting notice and packet.

Judge Whitaker stated the Committee members should discuss the executive director's evaluation in private session, so all staff members were excused from the meeting.

At the conclusion of the closed Committee session the executive director was presented with his FY2009 appraisal. The Committee scored the director as "satisfactory" on all points on the Performance Appraisal instrument, which was presented to him for his review and subsequently forwarded to Human Resources for filing in his personnel folder.

ADJOURNMENT

There being no further business,

Mr. Smith made a motion to adjourn the meeting at 1:15 p.m. Ms. James seconded the motion.

Judge Larry Whitaker
Committee Chairperson