

Audubon Area Community Services, Inc.
Board of Directors Meeting
MINUTES
April 21, 2009

The AACS, Inc. Board of Directors gathered for dinner at 5:15 p.m., Tuesday, April 21, 2009, at the 1800 West Fourth Street Central Office in Owensboro. At 6:00 p.m., following dinner, AACS, Inc. Board Chairperson Judge Reid Haire called the meeting to order and welcomed the Board and staff.

Members Present (17):

Rev. David Combs
Ms. Janie Drury
Mr. Keith Free
Hon. Reid Haire
Mr. Paul Hart
Mr. Marshal Hatfield

Ms. Daisy James
Ms. Joanne Kendall
Mr. Paul Lashbrooke
Rev. Jerry Manning
Mr. Thomas Platt
Ms. Betty Rucker

Mr. M. Douglas Smith
Ms. Allison Stull
Ms. Henrietta Taylor
Ms. Vicki Tinsley
Ms. Charlotte Vandgrift

Key: **Bold** = Officer/Executive Committee Member
*Alternate – Member not present

Italics = Ex-Officio Member
**New Board Member

Alternates Present with Member (5):

Mr. Frank Craig

Mr. Steve Hatfield
Ms. Jeanette Manning

Dr. Sandra Obilade

Ex-Officio (3):

Ms. Margaret Bailey
Mr. Jesse Mountjoy, *Sullivan Mountjoy Stainback & Miller*

Mr. Keith Sanders

Mr. Doug Smith

Staff Present:

Ms. Carrie Blackham, CCAP Director
Ms. Sheila Boling, Weatherization Director
Ms. Cheryl Gatton, HR Director
Ms. Cathy Lamar, CSBG Director
Mr. Dan Lanham, GRITS Director

Mr. Ronald Logsdon, Executive Director
Ms. Denise Marcum, Executive Assistant
Ms. Robyn Mattingly, SSC Director
Mr. Byron Mayes, CFO
Mr. Aubrey Nehring, Head Start Director

CONSENT AGENDA

Judge Haire reminded everyone that over the past two months, Audubon had been busy with programs, projects and in a variety of other areas that are probably “out of the norm” — like dealing with the stimulus dollars that President Obama and the Congress have authorized to come AACS’ way. Judge Haire stated that Mr. Nehring was preparing and working with Head Start as far as the additional stimulus dollars.

Judge Haire also stated that Mr. Byrne and Ms. Estes were present tonight to talk about the FY2008 audit. The fourth major item that AACS had been working on in the past couple of months was the Investment/Oversight Committee deciding how the agency was going to invest its dollars that are available in reserve; Mr. Mountjoy would present the Committee’s newly proposed policy.

It has also been a busy time concerning the new administration building at Fifth and Foust. Judge Haire thanked the board members for giving up their time and for attending all the committee meetings. He

then asked for approval of the Consent Agenda items mailed to members in advance of the Board meeting.

Ms. James made a motion to accept the February 17, 2009 Board meeting minutes; the March 2009 Financial Statement; the March 30th, 2009 Audit Review Committee Minutes; the March 30, 2009 Investment/Oversight Committee Minutes; the March 16, 2009 Lincolnshires' Board Meeting Minutes. Rev. Manning seconded the motion. Motion approved.

FY2008 Audit. Mr. Byrne, CPA and supervising partner for Alexander & Company, first pointed out how the FY2008 audit was presented in the report. On pages 1 and 2 of the audit report was the *overall financial statements* of the agency. That provides what the auditors call an “unqualified” report, which is a good report. Mr. Byrne said he and Ms. Estes, lead auditor, agreed that the agency’s FY2008 financial statements were correct as they were stated. Following are the next (and largest) part of the audit report, the *supplemental information schedules*, which summarize AACCS’ individual programs. Those schedules include the closeout amounts, programs that either closed out as of June 30, 2008, or may have ended within that year.

Mr. Byrne said he would like to point out that some people try to total up all of the revenues, expenses tying up to the financial statements themselves as a whole and that just does not work because, for the most part, they are on different fiscal years. The fact that some items are allowed in the expenses for the programs, but for the financial statements have to be capitalized, is another reason the schedules and the overall financial summaries won’t correlate.

The Audit Review Committee, he said, spent so much of its time on the findings and the management responses to those findings (see page 65). The findings begin with the segregation of duties. It explains what the auditors found as far as segregation of duties; it ends up with management responses on what they are going to do, how they are going to answer and put forth a plan to resolve all the issues that the auditors have noted. Mr. Byrne explained that this segregation of duties issues is one of the bigger things, and that was one of the items that got AACCS into trouble with its prior CFO. Mr. Payne was probably performing more than one duty that he should not have been doing and that’s what allowed him to do what he did.

Some of the other things were the way financial items were recorded and whether they were recorded on a timely basis in the correct period, Mr. Byrne said. The auditors addressed issues with grants receivable and accounts payable, which should basically employ the accrual of costs. But to a certain extent the agency has been recording those things on a *cash* basis and “trying to catch up on the back end.” Alexander & Company has actually recommended that the Finance Department go forth and do more on an accrual basis all during the year, he said.

Judge Haire asked Mr. Mayes if that transition was going to cause a problem. Mr. Mayes said no, but his department has actually begun working with accruals on a monthly basis and also reconciling those accounts. Mr. Byrne stated he would like to point out that Mr. Mayes joined the agency and came into a situation that was difficult. The agency has a “very complicated” financial system. Mr. Byrne said he appreciated all the help that Mr. Mayes has given.

Judge Haire said it was *not* a usual rule of thumb that when an agency has an audit that there are several pages of negative findings. Yet, this should be no cause for major concern because this board has assumed a responsibility for corrective action with this. Unfortunately, though, the FY2008 audit, and most everyone knows the reason behind some of the challenges that the agency had, came with regard to one employee. The auditors have come in independently and recognized some accounting problems and are working with Mr. Mayes to get those fixed. Very soon, Alexander and Company will get started on the FY2009 audit.

Mr. Logsdon told the Board that a brand new, very expanded and extensive financial manual was approved in October 2008 and AACS was operating under procedures that did not even exist when FY2008 closed out. Too, the agency has hired an internal auditor that reports directly to the executive director. The internal auditor audits the internal agency's finances, all of the agency departments, and has written extensive reports on three departments already since this audit. A lot of work has already been done. Mr. Logsdon stated that Mr. Mayes has already implemented monthly closings and much improved processes to try to correct these problems.

Ms. James noted to everyone that on page 65, the wording needed to be changed from "who is" to "who was". It is the Board's responsibility and to insure that those are followed. The Board will come back for FY2009 and will see areas where these conditions that the auditors recognized and have been taken care of. Judge Haire asked if there were any questions for the auditors. There were none.

Mr. Logsdon said that the auditors always encourage Board members to call them if there were any questions concerning the audit. Alexander & Company's contact information was provided in the FY2008 Audit Report, copies of which were provided to every member present. Judge Haire reminded everyone that AACS is a *public* agency and the FY2008 audit will soon be available online.

Referring to the former CFO's fraudulent activity and its related audit and legal costs, Ms. Drury asked if the \$40,000 cost to the agency was an "honest mistake." Mr. Logsdon said no, that it was fraud, and Mr. Payne has been indicted on five counts of fraud totaling some \$7,500. Mr. Mayes stated that what he is trying to put into place is to have an extra set of eyes involved in the process. That's where the internal auditor comes into play. There is never a sure fire internal control and there is always room for improvement.

Rev. Manning made a motion to accept the FY2008 audit. Mr. Hart seconded the motion. Motion approved.

NEW BUSINESS

Weatherization Manager – Grade 26. Mr. Logsdon stated there were two new positions being created within the agency, one for Weatherization Manager at Grade 26 and the other for GRITS' Operations Support Specialist at Grade 27. The specialist position is basically a person that will do "IT" and reporting work for GRITS. The Weatherization Manager is a newly expanded new position because AACS will be getting substantial new Weatherization funding out of the "stimulus" bill; the amount of \$74 million will be coming to the state. The number of Weatherization dollars for AACS is unknown, but it's projected between \$3.5 and \$5 million. The job descriptions have been written and those are internal staff documents.

Ms. James made a motion to approve the new positions of Weatherization Manager at Grade 26 and Operations Support Specialist (GRITS) at Grade 27. Mr. Hart seconded the motion. Motion approved.

Building Projects Update and Board Action. Mr. Logsdon presented a brief overview of the status of current building projects at AACS, some of which necessitated current Board action:

Fifth and Foust Office Building. Mr. Logsdon said the Board Room furniture had yet arrived, but the building is finished. Mr. Logsdon also said he has not yet signed the document signifying "substantial completion;" there were still a few small things he wants to negotiate with the builder, but he said that he expects to sign the required certificate within the next week.

St. Elizabeth Street Parking Garage. The *earmark grant* Phase I is nearing completion, but it is not actually suppose to be finished until about June 2009. GRITS did receive notice from the Office of Transportation Delivery (OTD), Kentucky Transportation Cabinet for an additional \$3.4 million in American Recovery and Reinvestment Act of 2009 (ARRA) money for the Phase II completion of the three-story garage. Governor Beshear came to Owensboro and announced the grant about a month ago.

In the packet, there is material that relates to that ARRA grant for Phase II; it is listed as “Item G” in the handout packet. The ARRA contract is a pretty extensive one that layers on numerous requirements that go with those additional ARRA dollars for the rest of the completion of the parking garage. When finished, the parking garage will have 290 parking slots, mostly public parking. In addition, OTD’s ARRA contract will pay for a large mobile generator and purchase seven hybrid vehicles.

However, when AACS received the contract the agency was surprised to find that in addition to funding all of those capital items that GRITS wanted, OTD also imposed an obligation, an “unfunded mandate,” as it were, to hire four (4) new employees that were not specifically funded in the ARRA contract. Mr. Lanham has since worked that out and is covering those new positions through other money. Mr. Lanham stated that the four people that will be “hired by contract” and have to be tied to the ARRA funding. One of them will be a *hybrid bus specialist*, who will be a driver and is trained specifically concerning the hybrids and how they work. Mr. Lanham also stated he anticipates that driver being capable of going out and speaking to school classrooms and groups explaining how hybrids work, what it will do for the environment and what it will do for fuel savings.

There will also be a *parking garage attendant/receptionist* which revenue will be generated with the parking garage. It should generate \$70,000-\$75,000 a year in rental spaces. The other position will be a *garage attendant*, and that is a person that will work on GRITS vehicles, cleaning them and doing some light maintenance.

The latter employee will also be trained on how to operate the generator and how to hook it up. The generator is trailer mounted. We did that with the hope and understanding that we could take it to any AACS facility. When asked if the mobile generator could be used anywhere, Mr. Logsdon said the mobile generator requires a specific kind of hook up, and the only two facilities that are equipped with the right hook up are the parking garage and the new office building at Fifth and Foust. Mr. Lanham said we would actually be able to power up other facilities as well, but with “a little bit” of extra work and perhaps substantial expense for electrical code compliance.

Mr. Logsdon again advised the Board that the entire OTD ARRA contract was in the handout packet. He asked everyone to read in their own time and understand the kind of conditions that come along with the ARRA “stimulus” money. Later, there will be discussion about Head Start’s portion of the money and there are different kinds of requirements, restrictions and some similarities in others.

Ms. James made a motion to accept the six new positions, two that will be under the ARRA and four that will not be covered in the ARRA stimulus money. Mr. Hart seconded the motion. Motion approved.

Contingency Authorization of \$250,000 Loan from Insurance Premium Fund Balance. Mr. Logsdon reminded the Board about the item discussed and deferred at February’s Board meeting. It was a proposal that the Board authorized to borrow from agency funds as much as \$250,000, if needed, to finish out AACS’ Hartz Construction contract obligation for the completion of Phase I of the parking garage. That was tabled at the last meeting, although the Board did approve AACS selling the current GRITS office building to garner such additional Phase I funds as may be needed.

Mr. Logsdon noted that with the Phase II funding now available, AACS is unable to sell the current GRITS building until Phase II is complete — probably at the end of 2009. If AACS doesn't have some kind of contingency in place to front the needed Phase I closeout costs from other resources it will be unable to meet its Phase I contract obligations. This action is just a contingency, he said. Mr. Logsdon assured the Board that there would not be any more agency money used than there has to be in order to "bridge" whatever end-of-contract gap that there is out there. At some point, there may be some kind of funding "gap" between now and July, he said.

Judge Haire asked Mr. Logsdon what he was asking of the Board. Mr. Logsdon stated up to \$250,000 that would need to be borrowed from other agency resources to bridge the gap just on the parking garage. After GRITS moves out of its current building, that building will be sold and the proceeds will replenish the funds advanced from agency resources. The current GRITS building received an appraisal of \$190,000, so, said Mr. Lanham, he will be looking for another appraisal.

The requested authorization of \$250,000 could possibly not be used, said Mr. Logsdon, but he asked the Board to approve it just in case. There is a Phase I contract that is going to have to be finished out at some point in time, and money must then be forthcoming, he said.

Mr. Hatfield made a motion for AACS to borrow up to \$250,000 from other agency resources. The current GRITS building will be sold after GRITS vacates it and the proceeds from that building will replenish such costs as the agency had then advanced for the completion of the Phase I contract. Ms. Rucker seconded the motion. Motion approved.

Owensboro Regional Recovery Center – Change Order #3. Mr. Logsdon pointed out some pictures and information on the Change Order that was in the mail-out Board Booklet — and there were additional pictures in the back of the handout packet. Work is progressing at Owensboro Regional Recovery (ORR), he said.

Independence Heights/Horizon Place. Independence Heights is already fully occupied, said Mr. Logsdon. Horizon Place, which is located adjacent to The Learning Villa, is now nearly completed. Ms. Boling stated that as of last week five of eight currently available units at Horizon Place are now occupied. Mr. Logsdon said the larger building at Horizon Place is not quite finished.

Presidents Place. Mr. Mountjoy said that he is working with the developer's counsel to get all the documents in place; he has brought a required Resolution with him. The Resolution has to do with the Affordable Housing Trust Fund (AHTF) grant and other Kentucky Housing Corporation (KHC) requirements. This Resolution goes to the tax credit syndicator through whom Presidents Place will get equity funding for that project. This resolution is also required by KHC.

Mr. Paul Hart made a motion to adopt the Resolution on Presidents Place. Mr. M. Douglas Smith seconded the motion. Motion approved. Mr. Keith Free opposed it.

GRITS FY2010 Funding and Refunding Requests. Mr. Lanham said these were for GRITS' Federal Transit Administration (FTA) "5309," "5310," "5311," "5316," and "5317" funding streams. The "5309" is typically *capital* grants funding, which is for facilities and large expenditures. GRITS has requested a maintenance facility in that FY2010 request. GRITS has also requested that as well which included some mini-vans and more hybrids. The "5310" funding is *elderly transportation* funding.

The "5311" is the *operating subsidy* grant. GRITS has requested funds for that along with some equipment as well. The "5316" is JARC (Job Access – Reverse Commute) and GRITS has requested both equipment and some operating funds. The "5317" is the "New Freedom" program funding; and in that, GRITS has requested a new cut-away bus that exceeds ADA requirements, that has a lower entry

height, that has a ramp instead of a lift, that has a wider door and a lot of things to accommodate larger passengers.

Mr. Lanham said that GRITS had also requested more hybrids — which have a zero match requirement from the federal government. Typically, anytime AACS/GRITS buys equipment, it has to match it with 10% of AACS' money. But for hybrids, the federal government pays 100%, he said.

Judge Haire asked with all of the equipment that GRITS is hoping to get, and will be getting some of this, is that going to surplus the existing equipment or is GRITS going to try to maintain all of the current equipment. What is your plan as far as the existing equipment? Mr. Lanham stated that in the fall, GRITS hopes to be able to sell 16-17 pieces of equipment. There will be some full size mini vans and cutaways as well. If we sell them for more than \$4,995, it's a little iffy about who gets to keep the money. We have to make a special request. Typically, those requests are approved that we can keep that money. We will have some decent equipment to sell. The good side of that is we have 17-18 vehicles on order. We'll be able to take 18 vehicles out of the fleet and out of those six of them cost \$80,000 in maintenance last year.

FY2010 GRITS Refunding Resolutions. Mr. Logsdon pointed out to the Board that on pages 63, 64, and 65 were two (2) Resolutions. The first one *authorizes Mr. Logsdon to sign* all of the documents and the contracts that are going to follow behind the resolutions. The second one *commits AACS to provide the respective grants' local share*. These Resolutions give the authority Mr. Logsdon needs from the Board to submit these grant requests to OTD.

Mr. Hart made a motion to give the executive director the authorization to sign the documents and the contracts thereafter. Mr. M. Douglas Smith seconded the motion. Motion approved.

AACS/GRITS – LKLP HSTD Payment Settlement. Mr. Logsdon stated that when AACS got out of the Region 3 subcontract for the Human Services Transportation Delivery (HSTD) “brokerage” that was operated under LKLP, AACS sent them a bill \$127,000. That bill was not paid. Ever since August 2008, the agency has been negotiating with LKLP concerning that amount. At one point LKLP sent AACS a letter in December 2008 and said that they're *not* going to pay any of it. But a deal has since finally been negotiated for AACS to at least get a portion of the \$127,000 due it.

Mr. Mountjoy explained to the Board that the only other recourse was to go into arbitration or go to eastern Kentucky. On that basis, AACS has continued to cajole, threaten and be nice to and do whatever it took to see what we could work out. Mr. Mountjoy stated Audubon initially received an offer of \$70,000, so Mr. Mountjoy said to LKLP's attorney that offer was “just terrible,” and he asked them to raise their offer. After much more work, it was increased to \$80,000, which then Mr. Mountjoy took this to the Administrative Support Committee and received the authority to accept that offer.

At the present time, Mr. Mountjoy said he is waiting on Randall Tackett, attorney for LKLP, to send the Settlement Agreement and Promissory Note, and the first check for \$20,000. The other checks are due each month. This was an improvement which LKLP's first offer was a *quarterly* payment and it's now down to \$20,000 a month, beginning in April 2009. Hopefully, in the next four months AACS will have the \$80,000 and be done with LKLP, he said.

Ms. Drury asked where the money was going. Mr. Logsdon said it would be going to GRITS because they provided the service and they didn't get paid for it.

Rev. Manning made a motion to accept the Settlement amount of \$80,000 to receive from LKLP. Mr. M. Douglas Smith seconded the motion. Motion approved.

Investment Policy, Revised – with Attachments. Mr. Logsdon noted that the current operating policy on agency investments was a revision of an initial Board Resolution. The agency had that operated on that “policy” until the present time. Now, Mr. Mountjoy brings forward a revised Investment Policy statement (with a couple of attachments) as recommended by the Investment/Oversight Committee. Mr. Mountjoy has been working on the revised policy for the past two weeks or more, he said. There was a review of his proposed Investment Policy statement and his Opinion regarding AACS’ legal status with respect to KRS 66.480 at the previous Thursday’s Investment/Oversight Committee. That meeting resulted in just a couple of “tinkering” changes being requested, and those have now been incorporated in the policy before the Board. The final document is now in the handout packet, with the two proposed attachments.

Opinion Letter on Whether AACS is Subject to KRS 66.480. Mr. Mountjoy’s Opinion Letter on the status of AACS with respect to whether AACS is subject to KRS 66.480, and Mr. Mountjoy has suggested that AACS is *not* subject to it. Mr. Mountjoy explained of how this came up and the extent of the work. Some years ago a draft of the policy began to be developed from the Investment/Oversight Committee. The policy that was suggested was one that was to some extent already in place, i.e., the provisions stated in KRS 66.480.

But there has always been a lingering question through various administrations, whether it is Judge Haire or Judge Whitaker, as to applicability of that particular statute. The reason for that is that a county judge or a public official coming in and looking at the investment policies, always has in mind one statute in Kentucky and that is when you deal in public funds like city and county government you have to follow these investments. The important thing to remember is and that is in KRS 66.480, the important note is *nowhere* are these investments listed in this statute as being *equity* investments, like Wellpoint stock that AACS has.

And that is where the issue came to the fore and Mr. Mountjoy was asked to look at this. He researched the issue and he said, “Our opinion was that more likely than not, AACS is not a public agency for the purpose of the application for this statute.” The reason why there is so much explanation on that is please remember AACS is a very “strange animal” legally. It starts out as a private not-for-profit Kentucky corporation, which then obtained a tax exempt status from the IRS, which then became a Community Action Agency, which then contracted with various county and city and other public and political subdivisions to carry out various public services.

So you have this whole conglomeration — which then became a “Special District” of the Commonwealth of Kentucky. The Kentucky Attorney General’s opinion (which Mr. Mountjoy said he completely agrees), which he cited in his opinion, where the Kentucky Attorney General about 20 years ago said there is absolutely *no* “cookie cutter” solution when dealing with something like AACS. AACS may be “something” for one purpose and we may be “something else” for another. One statute may apply to AACS and one statute may not.

The Open Records and Open Meetings laws apply. Does that mean that AACS is a public agency for everything else? No, it’s *not* a public agency for purposes of this KRS 66.480, which limits investments to various conservative investment products such as CD’s, treasury bills, and bonds — it does not permit an investment in equity securities.

In our opinion, said Mr. Mountjoy, AACS is not subject to KRS 66.480, so this allows AACS to continue to do what it’s been doing, which is to invest in securities. That is not to say that AACS should adopt an investment policy that moves toward a diversification of investments or includes a lot of other requirements. Keep in mind the research that Sullivan Mountjoy Stainback and Miller, PSC, did just had to do with “the most serious introductory issue.” After that, we did look at the Investment Policy from the standpoint of how it would be working with the idea in mind that you’re

dealing with a *general* document that is going to leave it up to the Investment/Oversight Committee and the staff to deal with agency investments, how exactly you want them to do that, what type of investments do you want, and so forth.

Mr. Mountjoy stated the KRS 66.480 matter, though, was always coming up when there were new board members. That is the reason why he attached his opinion as an appendix that will always accompany the Investment Policy. Judge Haire stated this issue came up because of the fact that he saw the investments of AACS and that neither any city nor county *can* invest in the stock market.

Mr. Mountjoy said the “alternate” lawyers always like to have a backup position; his is that really the funds we’re talking about primarily relate to *non*-public funds that came to AACS as a result of the Anthem demutualization through the Kentucky Association of Community Action, and that only through arbitration. It was not a federal or state grant. It was something that came privately on a non- public basis as an arbitration award.

Judge Haire stated one of the things the Investment/Oversight Committee asked for was the explanation “somewhere in the beginning” of the types of “investment monies” that AACS has. You have some public dollars and you have some private dollars. Can we not have some type of explanation on the types of funds?

Mr. Mountjoy suggested approving the newly revised Investment Policy and then continue to look at it. There is a second BB&T attachment that AACS will be negotiating with them. This one that is presently attached is a template, not the final attachment; but the attachment will be developed along the line of the BB&T template. Mr. Mountjoy said that he did recommend a couple of changes or additions to the revised Investment Policy itself: **1)** a new Section 1, Article F specifically authorizing AACS’ investments in equities; **2)** Section 2, Article D specifying certain parameters for the Investment/Oversight Committee; **3)** Section 3, Article D relating to prudent measures the Committee and the executive director may promulgate; **4)** Section 4, Article D elaboration concerning the use of qualified equity/investment advisors; **5)** Section 6, Article F calling for the Investment/Oversight Committee to meet at least quarterly; and **6)** Section 7, Articles C and D relating to diversification and asset management parameters.

Mr. M. Douglas Smith made a motion to accept the Investment Policy, Revised – with Attachments, Mr. Mountjoy’s legal opinion and the guide for AACS’ investment policy. Ms. James seconded the motion. Motion approved.

Head Start/Early Head Start ARRA (“Stimulus”) Funding Guidance. Mr. Logsdon stated that the Head Start ARRA award was received last week. He then turned it over to Mr. Nehring to present the award and its particulars. Mr. Nehring stated that Mr. Logsdon was referring to the handout about what’s required on the application for “supplemental” funding. The actual form SF-424, which is what Head Start submits with the grant, does require the signature of the Board Chairperson. Often, grants are submitted and then approved, but this one required Board approval *prior* to actual submission of the grant.

There are two things combined in this grant, said Mr. Nehring. This award is not exclusively the ARRA; it also includes some *permanent* increase in the grant as a result of the FY2009 final Congressional appropriations. That appropriation provides a 3.06% permanent increase in the AACS, Inc. Head Start grant, with the requirement that AACS provide all Head Start staff a 3.06% cost of living (COLA) increase. Those monies will be permanently in the grant and will continue year after year.

That is separate from all of the rest of the funds that are included here are the ARRA funds, the “stimulus” funds. They are provided as a one time supplement. These have to be accounted for separately. Separate accounts will have to be created to manage those ARRA funds and show how the money is spent. They will have a different fiscal year than AACS’ current/regular Head Start fiscal year,

because they are all separately administered dollars. The 1.84% COLA funds that are included in the ARRA are *not* permanent; they are for a 12-month period. The quality funds included in the ARRA proposal may be considered an extended period, but they generally have to be expended by September 30, 2010.

This is probably one of the single largest increases in any one year, said Mr. Nehring. What is in the handout packet is the actual amounts the Board will be approving for the supplemental grant for Head Start \$1,059,947 which includes both the COLA and the quality improvement funds.

The total amount for the supplement grant for Early Head Start is \$167,020.00. These are funds that come directly to the agency and we don't have to compete for these funds. There are other funds under ARRA which are expansion funds which Head Start will have to compete for and apply for. But these are funds that come directly to the program based on allocation. Every Head Start grantee in the country will receive a specific allocation of funds based upon their current funding. In addition to this, AACS Head Start has two other grant funding streams. AACS Head Start will also receive funds from Western Kentucky University (WKU) as a "delegate." This same allocation formula applies to those funds and AACS is receiving \$25,341 from WKU. AACS Head Start also receives funding as a Migrant Head Start "delegate" of Community Action Commission of Lexington-Fayette, Harrison, Nicholas and Bourbon Counties based in Lexington, Kentucky. Again, the formulas apply, and that Migrant Head Start add-on amounts to \$40,625. The total amount that AACS Head Start will receive from these three sources — as grantee and WKU- and migrant-delegate — is \$1,301,932. Again, there are very specific requirements for each of those awards.

The COLA requirements or the cost-of-living increase is a total that Head Start will be providing the staff with 4.9% increase in their salaries this current year, advised Mr. Nehring. The quality improvement funds amount to \$714,000, which half of that has to be directly attributed to compensation for staff, and either providing professional development, tuition assistance or compensation for their salaries, he said. The quality funds are not permanent monies. AACS Head Start plans to use those compensations as one-time supplements for staff based upon educational qualifications. Mr. Nehring said that policies are already in place that allow for when Head Start receives quality funds to provide those supplements to staff. There is a policy in the Personnel Policies and Procedures Manual that allows this.

AACS' plan/proposal for these grant awards must be submitted to the Administration for Children and families, DHHS, Atlanta, within thirty days, said Mr. Nehring. Board approval for those submissions is being requested at this meeting.

Rev. Manning made a motion to approve the Head Start/Early Head Start/Migrant Head Start proposals under the terms of the ARRA ("Stimulus") Funding Guidance and pursuant to the outline provided by the Head Start director. Mr. M. Douglas Smith seconded the motion. Motion approved.

FY2010 CSBG Refunding — ARRA CSBG Funding Guidance and Community Partnerships. The FY2010 Community Services Block Grant (CSBG) funding proposal was submitted in overview for approval. Mr. Logsdon also shared with the Board the guidance thus far received on the Community Services Block Grant (CSBG) "ARRA" funding. He and Ms. Lamar briefly review the process of soliciting community funding requests from the seven-county Green River Area and the some thirty funding requests received to date. Selections will yet be made as to what partners to fund at what levels.

Ms. Rucker made a motion to accept the FY2010 CSBG Refunding and the yet-to-be-developed CSBG ARRA proposal per the CSBG Funding Guidance and selected community partners. Mr. M. Douglas Smith seconded the motion. Motion approved.

FY2010 KHC Self Sufficiency Contract Renewal. Mr. Logsdon stated this contract was a very small one. It is operated through Ms. Lamar's CSBG staff. It provides case management services in conjunction with CSBG's self sufficiency program. KHC funds its self sufficiency services on a modest fee-for-service basis.

Ms. Rucker made a motion to accept the FY2010 KHC Self Sufficiency contract. Mr. M. Douglas Smith seconded the motion. Motion approved.

LIHEAP FY2009 Subcontract (Final). Mr. Logsdon said the agency's 2008-2009 LIHEAP program received \$2.487 million dollars, although not all of that was actually spent. The LIHEAP program ended up with more money this year. This contract sum is the total amount that was allocated to AACS by Community Action Kentucky, under statewide contract with the Cabinet for Health and Families, for the Green River Area's 2008-2009 energy assistance subsidies.

Mr. Hart made a motion to accept the LIHEAP FY2009 Subcontract (Final). Rev. Manning seconded the motion. Motion approved.

Executive Director's FY2009 Performance Appraisal. Mr. Logsdon noted that the Administrative Support Committee did his annual evaluation and performance appraisal, which was included in the Board Booklet. Mr. Logsdon stated that this matter needs also to be reviewed and approved at the Board level because he works for the whole board. One of the things the federal reviewers might look for next week, he said, is if the Board did an evaluation on its executive director.

Mr. M. Douglas Smith made a motion to approve and endorse the Administrative Support Committee's favorable report on the Executive Director's FY2009 Performance Appraisal. Rev. Manning seconded the motion. Motion approved.

MANAGEMENT & GENERAL REPORTS

WellPoint Stock Portfolio. Mr. Logsdon told the Board that over the past month, AACS gained almost \$100,000 dollars in its WellPoint portfolio. That rise came about because WellPoint sold off their prescription business for \$4.68 billion, which gave the stock a boost. Most of the information everyone is seeing and hearing on WellPoint is pretty favorable, he said.

BB&T Collateralization of AACS' Federal Cash. Mr. Logsdon advised that AACS was required to collateralize its federal dollars on deposit; that's so that *if* a bank collapses — and it does happen because 23 banks have collapsed already this year — the federal government's money is recovered.

April 26-May 1 Head Start Triennial Federal Review. Mr. Nehring explained to the Board that every three years the agency, as a Head Start grantee, is required to have a federal review. The federal review team that will be here next week. They will actually be in the agency on Monday, Tuesday, and Wednesday visiting sites and collecting observations, conducting interviews, reviewing documents basically looking at AACS/Head Start compliance with the federal regulations.

As part of that review, there are three specific interviews that will be taking place in groups. One of those is called Board/Policy Council. There will be interviews with Board members and interviews with Policy Council members. There will also be a Parent Focus Group in which a group of parents across the program will be invited in. All of the other interviews will be individual interviews, he said. Mr. Nehring said he, for example, would be interviewed for multiple hours. CFO Mr. Mayes will be interviewed in terms of finance. The reviewers will be interviewing a number of staff individually as well.

Mr. Nehring stated he wanted the Board to be aware of the same questionnaire that the Child and Family Committee has been working all year — an orientation to the interview questions that will be asked of the

Board. In the April Board Booklet there was a section that had all of the questions that will be asked of the Board members in the interview process, over forty questions. A lot of them are repetitive. That means, they ask the same thing in different ways, but basically the answers are the same to many of them.

Mr. Nehring also stated he has a separate handout, a one-page summary, that looks at eleven of the key areas that the Board members will be asked about. Questions are included along with a brief summary of the typical responses to those questions. In other words, the kinds of things that Board members would be expected to answer or to know with respect to what that question is actually referring to. Of course members are going to be asked about finance. Mr. Nehring said he didn't think there was anybody on the Board that has not been involved in so many questions that have dealt with the financial aspect of the agency. The Board members have just reviewed and received the FY2008 audit. There are specific Committees as well that have actually looked at all of those.

Board members will hopefully reflect all of the different ways that they are involved in financial matters, reports, and information from throughout the agency.

Staff have talked about the various pertinent issues several times in 2008-2009 Board meetings, which includes the self assessment process. Every year annually, Head Start has to do a self assessment. Staff has discussed these matters in the Committees, even gone into detail and provided reports. The Board has actually approved last year's self assessment report. It was brought to the Board and was approved under recommendation of the committee. Some of the Board members have participated this year in the self assessment process.

Mr. Nehring went over questions number 3 through 5 of the questionnaire/answer sheet he distributed to everyone. Mr. Nehring then asked for volunteers from the Board to join the Board Member Focus Group to meet on Monday at 10:00 a.m., April 26th. Anyone can come to Central Office or can participate by phone. The members that volunteered to attend were Ms. Margaret Bailey, Ms. Daisy James, Ms. Jeanette Manning, Mr. Jerry Manning, Mr. M. Douglas Smith, Dr. Sandra Obilade and Ms. Vicki Tinsley. Mr. Nehring thanked the members who volunteered.

“CAP-FACTS” Legislative Update. Mr. Logsdon said the annual Risk Management telephone conference with ACF was held on April 1st. A report has been received back and it was included in the handout packet. AACS was cited on a couple of issues, and they have been taken care of, he said.

Lorie A. Homiak v. AACS, Inc. – Christian Circuit Court – AACS Answer. Mr. Logsdon told the Board that AACS had been sued. An organization this size of AACS is going to get sued sometimes, he said. The Plaintiff is a former employee. She was relieved of her employment and she's claiming “wrongful termination” and has filed a suit in Christian circuit clerk. AACS' Lexington employment law attorneys are responding and filing answers on that suit.

Lincolnshire Apartments/Lincolnshire North Apartments Residual Receipts Authorizations for Re-roofings. Mr. Logsdon stated the Lincolnshire boards had met March 16th. Minutes of that meeting were included in the Board Booklet. There was a little bit of an issue at that meeting, he said, because of a project-wide re-roofing and there has been “no action on the part of the boards.” Information was included in the meeting's handout packet demonstrating that AACS had HUD and financial syndicator authorization AACS to do that work with the project's “residual reserve” funds. Deciding to re-roof the Lincolnshire buildings was not just a mere staff decision, he said. The key administrative parties, including the overseeing federal agency, were all in agreement to spend the \$100,000 to put new roofs on the properties at Lincolnshire. These HUD authorizations had come through and corresponding with those HUD authorizations were checks from mortgage broker in Georgetown, Kentucky. There is a process.

Mr. Logsdon said that Judge Haire, chairman of the Lincolnshire/Lincolnshire North Boards of Directors had expressed concern that the operations did not strictly conform to the By-Laws under which those HUD-KHC-supervised “single asset entities” operated, so he had requested revisions to those By-Laws to more closely reflect actual operational modes, of to conform operations to the existing By-Laws. Either way would do, but one way or another there was a need for the two to be in sync.

Nelda Barnett, 2009 Champion for the Aging. Mr. Logsdon added that Ms. Nelda Barnett, a current AACS Board member, was being named 2009 Champion for Aging by the ElderServe organization in Louisville. There will be a May 20th celebration in Louisville. AACS will be taking some staff people up there. Ms. Mattingly will be organizing the trip. Mr. Logsdon said if there were any questions to please see Ms. Mattingly.

STAFF REPORTS

Senior Service Corps (SSC). Ms. Mattingly said there is an invitation to SSC’s annual Volunteer Recognition on May 1st and she would like anyone’s reservation by April 24th. There is no charge, she said. The program starts at 10:00 a.m. SSC have received notice that its Foster Grandparents at Estes Elementary will be receiving an award for their service to that school on May 6th at 9:00 a.m. There will be a service visit with the Henderson County United Way for the Senior Companion Program (SCP). Ms. Mattingly invited everyone to come and sit in on that presentation. There will also be a United Way of the Ohio Valley presentation on May 13th in the training room at the Elizabeth Munday Center from 9:30 a.m.-11:00 a.m. This is just a process that SSC has to go through every year in order to receive funds from the United Way. Staff members do have to make a presentation to their Allocation Panel to describe the program. SSC also has its volunteers come in and tell their stories. Ms. Mattingly encouraged all of the Board members to attend.

Weatherization. Ms. Boling stated that as of April 16th the Weatherization program has been changed from the Cabinet to KHC, but that she doesn’t know a whole lot about the change as of yet. Ms. Boling and Richard Murphy will be going to Morehead to visit the men’s recovery center there so she can see what they’re doing and incorporate what she learns into this agency’s center. Ms. Boling also stated she would be working on the FY2010 expiring contracts of Section 8 for the Lincolnshires.

Head Start. Mr. Nehring said that at the February Board meeting, he recited to everyone that AACS applied for the *Program of Excellence*. Since that point, AACS *has* received an official notice that the agency has been so recognized. Staff will be receiving that award at the National Head Start Association in Orlando next week.

Aubrey Nehring Appointed to Early Childhood Task Force. Mr. Logsdon pointed out that Mr. Nehring has been appointed by Governor Steve Beshear to the Early Childhood Task Force.

CCAP, KentuckyWorks Program. Ms. Blackham stated the Child Care Resource & Referral Program (CCR&R) has been refunded. It is a two-year contract and the budget is about \$30,000 less than what it was last year, she said. Ms. Blackham said she assumes that AACS’ Child Care Assistance Program (CCAP) “brokerage” is being refunded. Contract negotiations are going on right now with the budget in the second round. Ms. Blackham also said her program has not had to do that “RFP” process before.

Counseling Services/CSBG/LIHEAP. Ms. Lamar said her CSBG program is scheduled to receive ARRA dollars as well. She has not received an official notice yet, but she’s anticipating around \$783,000. AACS’ CSBG program actually had a seven-county-wide meeting at the Owensboro Police Department about a month ago to talk about what to do with the money. There was a huge brainstorming session identifying the needs and barriers and where the dollars might be going to be met priority needs. AACS then put out its own “RFP”/call for proposals and has received approximately thirty proposals,

which total approximately \$1.5 million in requests — double of what AACS is anticipating getting in CSBG ARRA funding. Ms. Lamar said she was working on a spreadsheet right now identifying all of the agencies that have applied, the dollar amounts requested, and what they're proposing to do with the money. The biggest thing with this ARRA money is that it has to be administered completely separately from all of the other programs AACS runs, and it has to be accounted for very, very stringently. There are major reporting requirements that AACS and its associated ARRA partners are going to have to meet.

Human Resources. Ms. Gatton stated she had nothing more to report.

Finance. Mr. Mayes stated his department will be heavily involved in relation to the ARRA. Mr. Mayes also stated as part of his responsibility he will be working with his staff individually.

GRITS. Mr. Lanham stated he wanted to say how much GRITS has appreciated Judge Haire and Daviess County Fiscal Court for their support on the parking garage project. They have not only contributed financially, but politically as well. Also, that project would not have happened without the support of the Office of Transportation of Delivery, Ms. Vickie Bourne and her staff. The first time that project was presented to the FTA, it was rejected. The easy thing for the Office of Transportation of Delivery to have done at that point would have said, "Hey, you got turned down, end of story." But they called GRITS back and said, "Ok, here's how we think you can get this to go through, you need to do this or do that." We worked with them and they got it approved. That \$4.1 million dollar award is the largest GRITS has ever gotten in one single grant. Mr. Lanham also stated he is proud of his staff for the work they did in order to get the grant. Judge Haire noted that this was the first award like it in the country.

Information Technologies. Mr. Logsdon stated that Mr. Hagan was not present. The IT department has switched over virtually everything in the IT infrastructure from the current Central Office to the new Fifth and Foust building. There's one rack with two or three machines and a few switches left in the "old" building. The transfer of AACS' IT systems has gone almost flawlessly, he said.

ADJOURNMENT

There being no further business ...

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

Hon. Reid Haire,
Chairperson of the Board