

Audubon Area Community Services, Inc.
Board of Directors Meeting
MINUTES
June 16, 2009

The AACCS, Inc. Board of Directors gathered for dinner at 5:15 p.m., Tuesday, June 16, 2009, at the 1700 West Fifth Street office in Owensboro. At 6:00 p.m., following dinner, AACCS, Inc. Board Chairperson Judge Reid Haire called the meeting to order and welcome the Board and staff.

Members Present (19):

Rev. David Combs	Mr. Paul Lashbrooke	Ms. Allison Stull
Ms. Janie Drury	Rev. Jerry Manning	Ms. Vicki Tinsley
Mr. Keith Free*	Ms. Debbie McClanahan*	Mr. Chad Townsend*
Hon. Reid Haire	Mr. Thomas Platt	Ms. Charlotte Vandgrift
Mr. Paul Hart	Ms. Betty Rucker	Ms. Kathy Vargo
Mr. Marshal Hatfield	Mr. David Scott	
Ms. Daisy James	Mr. M. Douglas Smith	

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

Alternates Present with Member (5):

Mr. Frank Craig	Ms. Jeanette Manning	Mr. Hugh Smith
Mr. Steve Hatfield	Dr. Sandra Obilade	

Ex-Officio (7):

<i>Ms. Margaret Bailey</i>	Mr. Jesse Mountjoy, <i>Sullivan Mountjoy Stainback & Miller</i>	
<i>Ms. Nelda Barnett</i>	<i>Mr. Keith Sanders</i>	
<i>Mr. J.D. Meyer</i>	<i>Ms. Helen Sears</i>	<i>Mr. Doug Smith</i>

Staff Present:

Ms. Carrie Blackham, CCAP Director	Mr. Ronald Logsdon, Executive Director
Ms. Sheila Boling, Weatherization Director	Ms. Denise Marcum, Executive Assistant
Ms. Cheryl Gattton, HR Director	Ms. Robyn Mattingly, SSC Director
Mr. Dennis Hagan, IT Director	Mr. Byron Mayes, Chief Financial Officer
Ms. Cathy Lamar, CSBG Director	Mr. Aubrey Nehring, Head Start Director
Mr. Dan Lanham, GRITS Director	

CONSENT AGENDA

Judge Haire welcomed and thanked everyone for attending the meeting in the new 1700 West Fifth Street Central Office building. There was a quorum present.

April 21, 2009 Board Minutes. Minutes of the April 21st Board meeting were circulated to members on the June Board Booklet mailed with the June board meeting notice.

*Rev. Jerry Manning made a motion to accept the April 21, 2009 Board Meeting Minutes.
Mr. Paul Hart seconded the motion. Motion approved.*

May 2009 Financial Statement. Mr. Mayes stated there was a 15-day closing period after the month end. The May financial statement reflected a negative position because it was run before the monthly closing, and there were several entries still out there that needed to be posted. Consequently, the May

interim financial reflected a \$1 million deficit because revenues had not yet posted. Mr. Mayes also stated he ran a report earlier that day and at the year to date amount of the report there were *positive* bottom line amounts after the May monthly closing. Mr. Mayes said he recommended to the Board that for future Board meetings to send the financials for the most recent month that had been closed (in this case April 2009) and review and receive it.

Judge Haire said he agreed that if the Board was going to “approve” or receive a monthly financial statement he would like for it to be a complete and final report following the most recent monthly close. Without objection, the Board did *not* approve the May financial statement until the next meeting.

Mr. Logsdon stated for the August board meeting Mr. Mayes will have the June financial report that will be in the August Board Booklet.

OLD BUSINESS

Report on Status of Bank Reconciliations. Mr. Logsdon advised the Board he alerted Ms. Maryanne Mountain, Fiscal manager, a week ago that he wanted to present a bank reconciliations status report to the Board. This is an issue because the 2008 audit and the federal protocol review team both cited this failing: Bank accounts were not reconciled on a timely daily basis. Mr. Logsdon said he would continue to give the Board the report and updates. There is pressure being applied to get those reconciliations caught up-to-date. One of the things that has been completed, he said, is that AACS has eliminated the third party entity between BB&T and AACS that was providing input to the reconciliation process. That third-party vendor contributed quite a bit to delaying the reconciliation process, he said.

Mr. Mayes informed that AACS has a consolidated bank account, but all of the funds within that bank account are accounted for separately. On recommendation from BB&T when the consolidated account was set up, AACS used the third party, another banking institution, to help keep track of those fund balances within that one account, but the third party had caused quite a delay in processing data needed to complete timely bank reconciliations.

Mr. Mayes said he and Mr. Logsdon had discussed the matter with the auditor; all agreed that the use of that third party vendor was probably not the most efficient process. BB&T also agreed that the third party process is not efficient. All it was doing was delaying the bank reconciliations. Effective July 1, 2009 that process ceases. Mr. Mayes also said Ms. Mountain was currently working on the reconciliations to catch them up. Mr. Mayes said that if the Board was okay with it, the reconciliations should be current by the end of July 2009, but if there was a need to move it earlier he would do all he could to fast-track everything. He added that all of the processes that Ms. Mountain had to go through using the third party did take quite a bit of time, plus she has other responsibilities to work on as well.

Rev. Manning pointed out that the report showed only bank reconciliations of July 2008 and August 2008 as completed, so he asked if the reports are ten months behind. Mr. Logsdon said that reference was on the consolidated account that Mr. Mayes was talking about. Payroll and payables (payout) bank accounts and the Lincolnshires’ bank accounts were, in fact, kept current.

Mr. Logsdon said what Ms. Mountain is reporting was delaying the process on the consolidated accounts because of getting the information from the third party. As he understood it, he said, all that the third party’s role amounts to is to help the agency to “portion out the interest” that’s being earned by the respective programs within the consolidated account. In his view, he said, it doesn’t produce much benefit to the agency and it does cause a lot of delay in this important fiscal process.

Mr. Logsdon said this consolidated account is going to get caught up very soon; plus, because he expects it to be in the “protocol” (triennial federal review) report and AACS will, when that review letter comes in, probably be given a limit of 120 days within its issuance date to get that caught up. Another federal

staff visit will likely occur in order to verify that result. Staff are anticipating that and working to get the reconciliations completely caught up by the end of July 2009 and not be under that 120-day time pressure.

Rev. Manning asked if that was Mr. Mayes' responsibility. Mr. Mayes said yes. The auditor went to a lot of leg work to get the audit prepared and ready concerning the audit adjustments. Those entries, going back to that June 30, 2008 also affects Ms. Mountain's cash reconciliations, he said. Ms. Mountain has to go back and re-work the work that she had already prepared. Now since the audit is behind us, she can really pick up the work and close out the months on a rapid pace.

Judge Haire stated that if the next Board meeting isn't until August, he didn't see any reason why Mr. Mayes couldn't report to the Board at the next meeting that AACS was, in fact, up to date with the reconciliations, and that should be satisfactory. If the auditors have to go back, do adjusting entries and this affects the reconciliations, it slows the process down. Both of the financial and reconciliation statement in both of those areas make it easier for the auditors so that they can slide through the audit and there are no delays compared to what has happened in the past.

Mr. Logsdon said there would be an August report for the Board on the reconciliations status, but it may or may not be completed by the time the Board packet will be sent out in August. Regardless of where it stands, the report will be sent in the August packet, plus another one in the handout packet on the night of the meeting. Judge asked if there were any questions. There were none.

NEW BUSINESS

Referred from the Administrative Support Committee.

Revised Salaried and Hourly Position Classification Charts. Mr. Logsdon advised the Board the agency needed to add four new positions, three of which represent new job descriptions/titles. All four positions will be funded under CSBG's ARRA program. Revisions were made to the Salaried Positions Classification Chart and the Hourly Positions Classification Chart. The Board, historically, approves the grading of all AACS positions, while developing and reworking position descriptions remains a staff function, he said.

The Administrative Support Committee recommends approval of both classification chart revisions, and in the Board's handout packet there were draft position descriptions for the three *new* positions and where they're proposed to be graded. The fourth one, a current position, required no further Board action. The Fiscal Support Manager is recommended at Salary Grade 30, and the "IT" Support Specialist is recommended at Salary Grade 26. Those positions will function under the Finance and "IT" departments, respectively, under the CFO and CIO's supervision.

The Community Resources Coordinator, which will operate within the CSBG program, is an hourly position proposed to be at Grade 17 on the Hourly Positions Classification Chart. These positions are being added because of the tremendous reporting requirements that come with the ARRA funding. As you know, we're getting a significant amount of it so these positions will help track and account for the expenditures and use of the ARRA funds.

Ms. Gattton said the only other new position that is being added is another Program Assistant, which is already on the Hourly Positions Classification Chart at Grade 10.

Judge Haire asked, since these positions had been created as a result of the demands that the "stimulus" package presents, are they time-sensitive? In other words, are those new employees being given a 24- or a 36-month job. How is that set up so that the agency doesn't end up having stimulus dollars already spent with more employees than needed? he asked. Mr. Logsdon stated these new positions are going to be 15-month positions because AACS has a contract with the Cabinet for Health and Families, and it is a

15-month contract, ending September 30, 2010. When those ARRA-funded individuals are hired, their Letter of Employment will state and specify the term for which they will be employed, no longer than the ARRA-limited fifteen months or September 30, 2010, whichever comes first.

Judge Haire asked for the board members to get AACS' pay schedule. Judge Haire said he would like to know what *salaried* "Grade 26" or *hourly* "Grade 17". At AACS, there are numerous grades and then there are numerous steps. Judge Haire said it would be beneficial for him to have that chart showing the grades and steps particularly when AACS fill positions. Mr. Logsdon said it can be e-mailed to all of the Board members the next day. Judge Haire said if there were any members interested to just let him know.

Mr. Logsdon asked Ms. Lamar what those positions are paying. She provided a rough estimate: The Fiscal Support Manager was somewhere in the \$45,000-\$50,000 range. Ms. Lamar said the "IT" Support position is looking at somewhere between the \$30,000-\$40,000 range. The Community Resources Coordinator was somewhere between \$30,000-\$35,000, and the Program Assistant was about \$20,000-\$30,000, but those are just rough estimates, she said. Mr. Logsdon said these positions all are in the CSBG contract and is limited to September 30, 2010.

Mr. M. Douglas Smith made a motion to approve the revised Salaried and Hourly Position Classification Charts for adding four CSBG-funded "ARRA" Positions – Fiscal Support Manager (Salaried—Grade 30), IT Support Specialist (Salaried—Grade 26), and Community Resources Coordinator (Hourly—Grade 17). Rev. David Combs seconded the motion. Motion approved.

FY2010 Indirect Cost Pool Budget. Mr. Logsdon said the Indirect Cost Pool budget supports the management end of the agency, which covers basically his office, Finance, "IT" and Human Resources. AACS is looking this year (FY2010) at an Indirect budget of \$1,788,400, a little bit larger than last year's budget of \$1.65 million. Mr. Logsdon noted to the Board that proposed budget was in the June Board Booklet on page 34; then on page 35 are the revenues that were projected into that program. The Indirect Cost Pool operates on the percentage that the federal government approves us to apply against all salaries paid in all of the other programs like Head Start, Weatherization, CCAP, GRITS and so forth. All of those salaries are projected and then the percentage that Indirect is allowed to operate on is projected to come up with the bottom line budget amount; then the expenditure side of the budget shows how AACS projects to spend that next year. This is a July 1, 2009 through June 30, 2010 budget for the Indirect Cost Pool and all of the associated staff and the functions that operate under that cost pool and budget.

Judge Haire stated the revenue increased significantly, probably because of the stimulus dollars. Judge Haire asked what generated more expenses since the stimulus dollars have generated more revenue. Mr. Mayes explained the way he prepares the indirect budget is to *not* show a profit or loss, but a zero balance. The increase in the AACS programs' wage base was indicated on page 35 and further down the budget the CFO said he added projected "stimulus" wages for that year.

Judge Haire asked Mr. Mayes if he went through the expenses and allotted a kind of an increase so that he would come up to the budgeted sum. Mr. Mayes said he looked at the historical figures and also looked at what AACS is expecting to receive in terms of the stimulus or other increases. Judge Haire said he was more interested in the expense side of it. Mr. Logsdon stated that Judge Haire was also curious about where AACS is putting the added cost. So he directed the Board members' attention to the cost category for space costs; it's a 258% increase, and that increased cost is for Indirect's share of the current-year annual lease on the new Central Office building.

Mr. Keith Free asked if AACS has something like an Indirect "allocation plan." Mr. Logsdon said yes, it's a proposal that has just been submitted to the Division of Cost Allocation (DCA), Department of Health and Human Services (DHHS), Washington, DC. They are going over the proposal right now, he said. There will be a negotiation at some point and then DHHS (DCA) will certify a rate and send that in

a Rate-Agreement Letter. Whatever that rate is, the agency has to live with. It will then apply to all of the agency's grants, current and future. For example, Mr. Nehring is submitting some expansion proposals; those have to include the Indirect Cost Agreement because it says what we're allowed to charge against that grant.

Judge Haire noted that after the next fifteen months or two years, that additional revenue from the "stimulus" dollars will fall off some and the agency will get back into what the "normal" revenue levels will be. However, the expenditures on the space cost will remain constant. Judge Haire asked how the agency will deal with constant expenditures and the fall of revenue unless AACS can adjust upward the Indirect Cost negotiations or gain greater revenues, is that what you intend to do? Mr. Mayes said yes. Mr. Mayes said that the rate he used for this FY2010 budget was the current approved rate of 15.5%. Mr. Mayes said what he proposed in the FY2010 Indirect Cost *proposal* was a slight increase to 16.2%, based on actual expenditures from the prior audit year.

Mr. Logsdon added that one of the ways AACS expects to help pay for the new building was referred to the handout packet; there is a review of the agency's investment portfolio. AACS' investment resources right now are \$1.6 million. The agency firmly expects that level to grow to more than that amount. It's the fund that has been much talked about during a year the worldwide economic crisis hit. AACS had \$2.8 million in that fund before the recent economic meltdown, and already that fund is beginning again to appreciate fairly significantly, he said. Those investment portfolio monies will be used in part through the years ahead to help pay for the new Central Office building. In summary, part of the agency's grant money and part of the investment money will go to pay annual costs for the building.

Ms. Daisy James made a motion to accept the FY2010 Indirect Cost Pool Budget. Mr. Marshal Hatfield seconded the motion. Motion approved.

Presidents Place Limited Partnership Agreement. Mr. Logsdon noted the Agreement comes on recommendation from the Administrative Support Committee where there was a pretty thorough review of the agreement, Board Counsel Mr. Mountjoy having presented it to the Committee. Essentially, this just sets the Limited Partnership that exists for a new affordable housing tax credit project starting this year called Presidents Place. Right now, under this Agreement the partners are AACS, Inc. and the *interim* "limited partner," which is also the developer, Wabuck Development Company, Leitchfield, Kentucky. Mr. Logsdon said he thinks that in all likelihood what will happen is when the *equity partner* comes in that Wabuck will simply transfer its interest over to the equity provider, which normally happens in all of these tax credit projects. So the people that actually put up the money will eventually own 99.99% of the tax credit entity, Presidents Place, for a period of fifteen years; after that there will be some rearrangement of the ownership interest, and AACS will be able to acquire the property for a small sum. This Agreement just "gets the ball rolling." Mr. Logsdon said Wabuck is meeting with Boston Capital in hopes it will provide the nearly \$7.5 million in equity required to build Presidents Place.

Mr. Mountjoy asked if the Board has been advised of the Presidents Place "flow chart" that shows all the parties and fund sources involved. Mr. Logsdon said yes. Mr. Mountjoy said the "flow chart" defines all of the players; the equity partner, probably Boston Capital, will be added later.

Mr. Free asked if AACS did the same thing with The Learning Villa pertaining to the Limited Partnership Agreement or was AACS a sponsor. Mr. Logsdon said AACS came into that project quite late. Originally, the non-profit "general" partner was going to be Brescia University, and as the original documents were put together Wabuck and Brescia were *co-general partners* in that project. When Brescia backed out and AACS came in to the process *Brescia was replaced* as the co-general partner by AACS. In some of these projects with Wabuck, AACS is the general partner and in some of them AACS is co-general partner with them, he said.

Mr. Free then asked after the fifteen years if AACS would take ownership of it. Mr. Logsdon said yes, that is, if the agency comes forward and purchases the interest that must be purchased at that point—a nominal cost. Mr. Logsdon also said he doesn't know exactly how to project what that's going to be. You're dealing with multi-million dollar projects and you're probably coming up with purchase amounts that are less than \$100,000 to acquire them after the 15-year tax credit recapture (10-year) and compliance (15-year) period. The *limited* partner that provided the equity is out at that point (15 years). But there will be another fifteen years added on whereby the owner would be obligated to maintain all of the low-income "affordability" requirements, added Mr. Logsdon.

Mr. M. Douglas Smith made a motion to accept the Presidents Place Limited Partnership Agreement. Rev. Jerry Manning seconded the motion. Motion approved.

Referred from the Child and Family Services Committee.

FY2010 Child Care Resource & Referral Budget. Ms. Blackham referred the Board to the Child Care Resource and Referral ("R&R") budget on page 54 of the mailed out Board Booklet. The total FY2010 R&R budget is \$156,000. That is \$30,000 less than what it was last year, she said. What staff have done is massage the numbers a little bit just to accommodate the \$30,000 reduction. Ms. Blackham said the amounts are very similar to what they were last year but unfortunately none of the R&R staff will receive a salary increase this year — and they are okay with that in hopes there will be more money next year, she said. Otherwise, the expenses are basically the same. Mr. Free asked if there was a salary increase last year. Ms. Blackham said yes, it was either 2% or 4%, but she could not remember the certain amount.

Mr. M. Douglas Smith made a motion to accept the FY2010 Child Care Resource and Referral budget. Mr. Paul Hart seconded the motion. Motion approved.

FY2010 Head Start/Early Head Start "ARRA" Expansion Proposals. Mr. Nehring informed the Board that "Head Start Grant Applications for Approval Summary" is the title of the page to which he directed their attention. There were three pages to look at. Mr. Nehring said with Judge Haire's permission, what he would like to do is to take all three of the proposals—Head Start's and Early Head Start's FY2010 *refunding* proposals and the American Recovery and Reinvestment Act of 2009 (ARRA) *expansion* proposal—and have the Board do one motion to approve them all.

Mr. Nehring first referred the Board to the two refunding applications, which amounted to annual refunding of almost \$12 million, and then there were competitive expansion proposals for Head Start/Early Head Start and for program improvement that amounts to almost \$5 million increased funding if AACS Head Start were to get them all. The summary gives all of the basics, he said.

Head Start/Early Head Start Refunding. The Head Start and Early Head Start refunding application is reviewed June 30 of every year, said Mr. Nehring. The budget does include the increase of \$347,482, which is a permanent increase in the budget from the 3.1% cola that was received this year. That is added on to next year's budget and Head Start projects the budget based upon that. The basic changes in the FY2010 budget are that Head Start is including the 3.1% cola, which was awarded this year, and will continue to be awarded next year. Added, too, is 0.9% to give staff an additional percentage increase plus a 2% quality increase for all teacher associates. And then the rest are adjustments, he said.

There is no other major thing in the budget that's different except that Head Start's part of the budget cost of occupying half of the new Central Office building; Head Start is paying for half the cost of it. That was a major increase in the budget for some \$149,000 that goes into Head Start's share of the building, he said. Those are the major changes. With the increased funds and all, Head Start can accommodate that without an issue.

Western Kentucky University “Delegate” Head Start. Mr. Nehring noted the next item is the Western Kentucky University (WKU) budget. AACS Head Start is a *delegate* of WKU for a total of 41 slots; funds in the amount of \$210,311, which includes a COLA increase, are included in that budget. One thing that AACS Head Start is proposing to WKU is to change the fact that there is little flexibility in these slots *and the funding has not increased* compared to what Head Start has received in the regular grant, so AACS is proposing to shift all of those WKU slots to Hager Preschool as part-day slots and the regular program will absorb those full-day slots in that program. There are no changes in the services to children just sort of an accounting change in terms of where the funds come from. Those are the two permanent refunding applications.

ARRA Competitive Expansion Proposals. The other three applications are competitive expansion proposals, which means they are under the “stimulus” funds, he said. They are competitive *by state*, so each program that wants to apply for them can put a proposal together and then compete against other programs in their state for the amount of money that is going to allocate in that state for grants. Mr. Nehring pointed out that in the yellow handout packet is that the agency is going to apply under the Head Start expansion grant which is a smaller part of money across the nation. We’re looking at about a \$1 million increase there to serve eighty-one (81) additional children in the counties indicated.

Early Head Start ARRA Expansion. Mr. Nehring pointed out that the next page in the June Board Booklet pertained to Early Head Start. This is where the bulk of the ARRA “stimulus” funds in the Head Start program were put into the expansion of Early Head Start, which serves the 0-3 population.

AACS is applying for an extensive number, he said. Presently, there are 172 slots Early Head Start across the entire AACS program. The result of this if AACS were to get funded for all of this is AACS would then have Early Head Start *in every county* in the agency’s 16-county area, and services in several of the larger counties would be increased as well. AACS is seeking over \$2.8 million under the ARRA Early Head Start expansion. But again, *if* AACS gets these expansion slots, they are for two (2) years. Basically what would happen, said Mr. Nehring, is that AACS would receive the expansion funding, have a start up period, and then actually begin services; the agency is looking at a six month start-up period and eighteen (18) months of Early Head Start services. That would be the twenty four (24) months that the ARRA is funded, and then that funding ends. It is a one-time, two-year grant and is *not* a permanent increase in AACS Head Start’s budget — if AACS were to get it. It would be just for that period of time for services, he said.

Migrant Head Start Expansion. The third one listed is the Migrant Head Start *permanent* expansion. There were monies under the ARRA “stimulus,” but AACS decided not to apply for those. This is a permanent expansion and is with the agency’s Migrant Head Start partner, the Lexington/Fayette Community Action Agency. That agency actually submitted the Migrant Head Start grant, but AACS agreed to be partners with them. The two agencies decided to go with the permanent expansion for Migrant program, but not the part-day option, he said. Basically, AACS write a grant to the Lexington agency for \$564,000. If Lexington/AACS got that, that would be a *permanent* increase and is not an ARRA or stimulus grant. It would be a permanent increase in the services to migrant children.

One-time Program Improvement and T/TA Funding Proposal. The last item is indirectly ARRA funds, said Mr. Nehring. He stated the Head Start Bureau about two weeks ago released an opportunity for all of Head Start programs in the nation to submit proposals for one-time program improvement and a one-time training and technical assistance (T/TA) funds. These are competitive funds as well. Basically what agencies do is make up a “wish list” and submit that wish list of main

priorities or health and safety of children. AACS looked at playgrounds, and other kinds of things that its Head Start could use to improve the health and safety for children served. AACS applied under Head Start/Early Head Start *and Migrant*, and its One-time Program Improvement and T/TA proposal comes to a total of \$513,000 in that application.

Mr. Nehring said that he asked the Board to approve a motion to submit all of the proposals he noted.

Mr. Free asked if AACS presently had anything like the ARRA Early Head Start (EHS) expansion grant. Mr. Nehring said yes, AACS presently had 156 permanent Early Head Start slots and has had those slots for about eight years now. Early Head Start began in 1995, but it has until now been a very small program across the nation, serving only about 2% of the eligible population across the nation. It has been a very small number. Most of the AACS EHS slots have been in Daviess and Christian County, although there are a few slots in Union, Trigg, and Lyon. Mr. Free asked if the expansion proposals were funded would it result in doubling the number of EHS slots the agency provided. Mr. Nehring said yes, it would add 172 EHS slots to the 156 the agency presently provides, for a total of 328 EHS slots in all.

Judge Haire said that he had two concerns. For one, Early Head Start would double the volume of its work with the EHS applicants in a short window; all of a sudden AACS is going to be able to do all the good things that Head Start does and delivering to those families and those children that need a much educated jump-start, and then, all of a sudden, we're going to "turn off the tap." From another standpoint, we're going to increase class room size, the need for instructors, have twice as much space, maybe the same space but two different shifts and then we're going to shut it down. You hate to give something to someone and then all of a sudden take it away. What kind of impact will it have on these communities and then have twice as many kids going through Head Start and getting this educational jump start into the first grade then it will be cut it in half?

Mr. Nehring said there were two things that affect it. The first one is part of this process is the "stimulus," which is for the very purpose of increasing the jobs that will affect the economy. On the child side, it is real benefit of being able to provide of these services to needy children. A couple of things that affect it: 1) for preschool, the maximum that *any* child can be in Head Start is two years, so the children that will be served through this project will be through it and then AACS would just not enroll as many new children. 2) The same is true in Early Head Start, although the potential is for three years' participation there. What AACS would be able to do is serve some of those children in its existing slots and when those "stimulus" open up take those or other children into those.

Judge Haire pointed out that there could be some children that would "fall through the cracks." Mr. Nehring said with Early Head Start that could be an issue, but AACS could limit it to 2-3 year old kids, so that EHS would serve them and then they would go into Head Start and have that opportunity. But the real need is for the *early infants* and *pregnant moms*, he said, because AACS Head Start could intervene with children at those early ages.

Mr. Nehring said he thinks the benefits outweigh the issues because the benefits are to the children that are already served. Mr. Nehring also said he agrees and would hate to see service cuts happen. There are no promises, and there's no way that AACS could guarantee it, but there will certainly be a continued emphasis in the Obama administration for early intervention services. There is the possibility that some of this expansion would be continued, he advised, but maybe not at the level AACS is applying for here.

Rev. Manning asked when Head Start anticipates receiving the ARRA money. Mr. Nehring said there were several stages of it. The one that was approved at the last board meeting was the *Quality* ARRA funds that were distributed to every Head Start program. The plan is that AACS should receive the actual approval for the initial ARRA funding by July 1. Then AACS can perhaps begin

working with ARRA expansion dollars, if awarded, from that point forward through September 30, 2010. Those ARRA expansion monies should be coming very shortly, he said.

There are two ARRA expansion funds application deadlines: one being due June 23rd and another one being due July 9th. Mr. Nehring said his estimation is that it will go through about a month or two of a review process that will take place in July and August and he would expect that the Head Start Bureau would really rush these things, so he expected to hear approval of these in September. Mr. Nehring also said his additional time line is that the agency would start October 1st with its startup period and then services for children would start about January 2010. There would be recruiting, preparing facilities, getting the staff hired, and then beginning services in January. This would go through the rest of the school year and the next full school year for the allowable eighteen (18) months' operation under the ARRA.

Ms. James asked if the federal fiscal year was going to be used with this. Mr. Nehring said no. The ARRA funds will have their own fiscal year. It will be entirely separate from any other federal funding. The ARRA funds will be accounted for separately and all of those expenditures will be accounted for on a different fiscal year, he said.

Mr. M. Douglas Smith made a motion to accept the FY2010 Head Start/Early Head Start "ARRA" Expansion Proposal and the refunding. Ms. Daisy James seconded the motion. Motion approved.

2009-2010 Head Start Selection and Eligibility Criteria. Mr. Logsdon noted to the Board that the new (December 2007) Head Start law required Board action on Head Start's annual selection and eligibility criteria. Mr. Nehring told the Board the proposed policy was reviewed by the Child and Family Committee and it is their recommendation that this be approved — and it also has to be approved by the Policy Council, which they have done. Head Start began using the criteria back in April as new children were recruited, he said.

Basically it is a point system. It allows AACS Head Start to ensure that selections for participation are fair. Head Start, unlike some programs, doesn't have the slots to serve all of the eligible children. So a process has to be created by which children are identified with the most need; those get served first, subject to the maximum number of slots available. It assigns points for various elements of need from income to special needs, and to certain (what are called "automatics"), for example, if they are on welfare, if they are foster children, on SSI, or homeless; they are automatically eligible for Head Start. Those get the most points because those are categorically eligible for the program and then the rest is based upon income or other special needs. Every applicant child is assigned points based upon when they apply. Those points are entered into the computer and then a waiting list is created and so children are selected from the top of the waiting list based upon those points. What the Board is approving is the application of the current year's child-selection point system.

Rev. Manning asked if Head Start came up with the point system or if this was something handed down. Mr. Nehring stated that annually there is a committee of the Head Start Policy Council, the Recruitment and Selection Committee, that uses the point scale to determine child selections for Head Start. The point system is gone over every year. The Policy Council has actually built on it, and every year they make some modifications if there are certain needs that they want to address and they'll change some of their points. But the basic form has been used for three years right now.

Rev. Jerry Manning made a motion to accept the 2009-2010 Head Start Selection & Eligibility Criteria. Mr. Paul Hart seconded the motion. Motion approved.

New Business Not Referred by Committee.

AACS Drug and Alcohol Policies. Mr. Logsdon noted to the Board that because of being a grantee of the Transportation Cabinet AACS has to have a “2009 Update” to the drug and alcohol policies. Ms. Gatton said there were some changes required by law to the “top 40” in the policy. There was some cleanup done as well, she said. There were certain areas that had to be addressed to certain parts to alcohol only and not drugs.

Mr. Lanham said he, some of his staff and Ms. Gatton attended the Federal Transit Administration (FTA) drug and alcohol conference in Nashville. Mr. Lanham also said that GRITS had their policies and procedures reviewed to make sure they complied. Judge Haire stated the Daviess County Fiscal Court recently adopted its drug and alcohol policy. The policy change actually helped the county save money, especially in its workers’ compensation, which is reduced by 10% for participation in their policy-based substance abuse initiative.

Mr. Mountjoy asked if this policy would affect GRITS’ contracts and contractors. Mr. Lanham said no. Random drug screens and random breath alcohol screens are universally required in his business.

Mr. M. Douglas Smith made a motion to approve the revised AACS Drug and Alcohol Policies. Mr. Paul Hart seconded the motion. Motion approved.

Transportation Infrastructure Greenhouse Gas Emissions Reduction (TIGGER) Grant – GRITS. Mr. Lanham said the TIGGER grant is a grant that is part of the ARRA. It is to allow for transportation operations to apply for funding to either increase fuel mileage or to decrease greenhouse gas. Nationwide, \$100 million is available across the U.S. From what he learned from FTA, he said, there are 254 applicants for that money.

The *minimum* GRITS had to apply for was \$2 million. It seems easy to ask for \$2 million, but it’s more difficult than it would seem, he said. Certain requirements had to be met in order to apply. GRITS partnered with the Owensboro Transit System and Kentucky River Foothills Transportation, based in Richmond, Kentucky. GRITS applied for seven hybrid cut-away buses, which are funded 100% by the federal government so there’s no match money involved in that. Owensboro Transit System applied for two hybrid transit buses that cost \$600,000 a piece. That was a big chunk of the grant. Kentucky River Foothills applied for four hybrid SUV’s and six hybrid cut-aways, like GRITS did.

The entire TIGGER grant totaled about \$2.5 million, said Mr. Lanham. FTA and the Office of Transportation Delivery (OTD) have started asking us questions, which is always a good sign, he said. Some of the calculations were a little confusing. To say the least, when it came down to calculating the amount of greenhouse gas that all of our vehicles emit, that OTS buses emit and that Kentucky River Foothills’ buses emit, and calculating what the difference would be if the hybrids in the fleet, that was hard to calculate. GRITS staff corresponding with the federal/state staff, so we’ll see what happens with that, he said.

Mr. M. Douglas Smith made a motion to approve GRITS’ Transportation Infrastructure Greenhouse Gas Emissions Reduction (TIGGER) Grant proposal. Rev. David Combs seconded the motion. Motion approved.

Personnel Policy Amendments: “Holidays”, Section 5.1, “Jury and Witness Leave”, Section 5.4. Mr. Logsdon said that in the last several days an issue came up involving GRITS’ staff pay for holidays. Most of GRITS staff now work four days a week; they are either off on Monday or Friday. If the holiday falls on the day that they would have worked, they get holiday pay — or at least that’s what we thought it was until we got to checking and saw that was actually no policy statement anywhere at AACS that directed a *consistent* approach to dealing with this issue. There were “practices” that were employed

among the various AACS departments, and when staff got together and talked about the matter it was decided being necessary to make a change to the policy. Section 5.1 in the handout packet addresses that. Ms. Gatton stated there was just a couple of sentences that needed to be added to the existing Personnel Manual policies. These added clarification to make sure all staff understand the policy of when holidays are paid and when they aren't.

Ms. Gatton said there had also been considerable discussion about all of the different leaves, including July Leave. Some employees were not coming back to work when they were *not* selected for jury duty. It was deemed advisable to put in the policy that AACS *expects* employees to return to work if they were not selected on that day.

Ms. Daisy James made a motion to accept the proposed amendments (clarifications) to "Holidays", Section 5.1, and "Jury and Witness Leave", Section 5.4 of the AACS Personnel Policy and Procedures manual. Mr. M. Douglas Smith seconded the motion. Motion approved.

GENERAL REPORTS & UPDATES

2008 IRS Form "990" – As of June 30, 2008. Mr. Logsdon stated that a copy of the 2008 "990" was provided to the Board "for information." However, next year's "990" requires some Board-level approval process, probably by the Administrative Support Committee or Executive Committee with a report to the Board, he said.

FY2008 Audit Management Letter. Mr. Logsdon said this FY2008 Management Letter had already been reviewed by the Audit Review Committee and the Administrative Support Committee. Senior Staff are working on corrective actions for those things that were cited.

FY2007 Audit Inquiry. Mr. Logsdon said AACS received an unexpected letter from the Kansas City federal audit review center on the agency's FY2007 audit. That inquiry (copy provided to the Board) has been referred to the agency's independent auditors, Alexander & Company, for their response. Mr. Logsdon said that the independent auditors have not yet gotten back with him on that, but it is being looked at and handled.

FY2010 Projected Agency Budget – For Kentucky DLG. Mr. Logsdon stated that an annual *projected* agency-wide budget has to be submitted to the local government every June 1st each year. It doesn't really mean anything, he said, except if AACS doesn't submit it then any county attorney in the Commonwealth of Kentucky can come in and say, You're in violation of the law and you're shut down. Because Judge Haire inquired about it, Mr. Logsdon said that was why it was included in the Board packet for members' information and review.

Offer to Purchase GRITS' 1416 West Ninth Street Building. Mr. Logsdon advised that AACS had received a letter from Kamuf, Pace and Kamuf giving an offer on the property. A copy of the then-expired offer was provided for members' information.

Kentucky Housing Corporation "ESG" Funds Deadline. Mr. Logsdon said AACS is going to be returning a small portion of funds to them simply because the agency was not able to use them at Independence Heights. Mr. Logsdon referred to the board booklet about the amount of money that is going to be returned.

ARRA Emergency Food & Shelter Program Grants. Mr. Logsdon said he received a notice today and AACS will be getting some money through United Way which is an additional \$107,000 and most of this is the ARRA funding. All of the reporting and accountability requirements are going to apply here.

ARRA-funded VISTA Slot(s). Mr. Logsdon said one of the VISTA slots, maybe more, is being changed over from regular VISTA to ARRA funding. All of those additional requirements are kicking in. This is being posted on the agency's website at www.audubon-area.com, where a Board member can follow what's happening with the stimulus money that's coming into AACS and how it all breaks out. Mr. Logsdon also said the agency has not received a penny, but have only received the promise.

CHFS/DCBS 2009 Contract Monitoring Report. Mr. Logsdon informed the Board that he had only put three pages from the review back in May in the handout packet. Those pages summarized the findings; they were very minor. Anyone who wanted to see the complete packet, the checklist and the break downs and everything that was said about the evaluation, Mr. Logsdon said he had it with him. A copy can also be e-mailed, he said.

FY2009 LIHEAP Monitoring Report. Mr. Logsdon said this was a much briefer report. It was a very favorable review. Mr. Logsdon said when he was at the annual meeting in Louisville last week a man with Community Action Kentucky that administers the program applauded Ms. Lamar and her staff for doing an exceptional job with the program.

Homiak v. AACS, Inc. — Update. Mr. Logsdon stated this suit involved a former *introductory* (never granted "regular" status) employee suing AACS for wrongful termination. She and her attorney have modified their complaint three times and every time they modify it, Mr. Logsdon gets a new letter from the agency's employment law attorneys in Lexington and stating this plaintiff *has no case at all*. It is still alive only because the judge hasn't yet ruled on motions for dismissal, he said.

Kentucky League of Cities/AACS Workers Comp. Mr. Logsdon said there was a big controversy going on in this state. That happens to be AACS' workers' compensation provider.

State Budget/2009 Special Session. Mr. Logsdon said there was a special session of the Kentucky General Assembly going on because the state is about \$1 billion short on revenues compared to budget. They're meeting on finding out how to get out of this budget mess, he said.

Parking Garage – Phase II “Green Light”. Mr. Logsdon reminded the Board this was talked about at the April meeting. After April, the bureaucrats got a hold of it again and said, “Wait a minute, it's not quite approved even though you have a signed contract”. Now, maybe it is.

Mr. Lanham said he received a call from the Office of Transportation Delivery (OTD) that morning and she said there was “good news and bad news.” The bad news is that a lot more ARRA reporting has to be done. The good news is that Phase II of the parking garage construction has been cleared by FTA for ARRA funding. AACS received an ARRA contract back in April that included Phase II funding, but has had to jump through a series of hoops ever since then.

One of the cited problems was how GRITS wanted to proceed into Phase II with the same general contractor on the project without a bid process. FTA asked AACS/GRITS to justify why that was being done. It would have delayed the project at least six months in order for the contractor to finish and bring in another contractor. That was the tack GRITS took that it would slow down the progress of the project; plus it would cost jobs if GRITS took that delay. Then FTA asked GRITS to assign costs to that. Costs were assigned and GRITS actually came up with an additional cost of over \$300,000 if another contractor was brought in. All of those costs had to do with a torn up site, torn landscaping, being able to put the roof coating on and possibly damaging it for the next phase of the construction and there were lots of other costs associated with all of these things that would have caused a problem.

FTA said, “OK, that's good. Now tell us why you think this contractor was competitive.” GRITS and the architect worked on some information and actually proved that construction was cheaper per parking

space in Phase II than in Phase I. It was about \$19,000 per space in Phase I; it is about \$18,000 per space in Phase II. Then GRITS sent that in and waited patiently, said Mr. Lanham.

Mr. Lanham said that the expected completion date will slide back slightly because of the two month delay. The parking garage will probably be complete sometime in January 2010. GRITS' parking garage is one of the first ARRA construction projects to be funded in the United States, he said. GRITS will be expending ARRA funds within the next 30-60 days. This FTA/OTD "go-ahead" is going to save some thirty (30) jobs at DeAmRon, the parking garage fabricator, said Mr. Lanham.

Recovery Kentucky. Mr. Meyer said there was great progress at the *Recovery Kentucky* center (Owensboro Regional Recovery Center). Mr. Meyer also gave directions to where the *Recovery Kentucky* center is located. The builder has weatherproofed the building and put sealant paper on the exterior of the building. The roof is on and covered with heavy felt. The builder, PDC Construction, Little Rock, Arkansas, is waiting for the plumbers to finish all of the penetrations for all of the various plumbing vents through the roof and then they will begin putting on the actual roof itself.

Six weeks of time was lost in December due to rain, and then the January 2009 ice storm. The framers "clocked 3½ weeks up," that is, they made great progress quickly. There is a monthly construction meeting. During the last meeting, the builder projected a completion date for December 30, 2009. As far as the budget goes, the project has stayed within its budget. There was an additional site preparation expenditure based upon the soil conditions, but there were contingency funds to cover that. The funds were recovered and there is still remaining monies. Judge Haire asked if Mr. Logsdon was getting periodic reports. Mr. Meyer said yes. There is a budget report given each month at the meeting to approve the expenditures. Everything is operating smoothly, he said.

Update on Judge Larry Whitaker. Judge Haire introduced Mr. David Scott who is filling in for Judge Whitaker. Mr. Scott said that Judge Whitaker is in Houston, Texas. His illness is very rare and that eight people have had it in the history of the world. Judge Whitaker will be in Texas for two weeks and that he is no worse or no better. The doctors have called this disease "Light Chain Deposit" where this shuts the kidneys down. Mr. Scott said Judge Whitaker would be back on Thursday of next week from Texas.

Terry L. Payne Fraud/Settlement Update. Mr. Mountjoy said nothing had really changed concerning the fraud indictment and criminal court case concerning Mr. Payne. Negotiations continue between the Commonwealth's Attorney and Mr. Payne's defense attorney with respect to restitution as a condition to any type of diversion. Nothing final has been done.

SENIOR STAFF REPORTS

Child Care Assistance Program (CCAP)/R&R, KentuckyWorks Program. Ms. Blackham said all of the state contracts for her department's programs have either been received or she has been promised them forthwith. The new years' programs are set to go on July 1.

Housing Services/Weatherization Assistance Program. Ms. Harper said Kentucky Housing Corporation (KHC), the state's new Weatherization administrator, has decided to close the FY2009 Weatherization program as of July 31st. The Weatherization program has been transferred from the Cabinet for Health and Families over to KHC. That is perhaps part of the delay of getting ARRA weatherization program up and running. KHC has also given a preliminary number of "stimulus" dollars each agency will receive, although not before August 1, 2009. AACS is slated to receive \$2.9 million. There is still no contract of budget, other than just verbal.

Horizon Place is now open. All of the complex's thirty-four (34) new apartments are ready except for six.

Senior Service Corps. Ms. Mattingly said on April 22nd and 23rd, FGP was monitored by the State Office for the Corporation of National Community Service (CNCS). The CNCS review letter was received back and there were no findings.

Counseling Services/CSBG/LIHEAP. Ms. Lamar said her department was working on developing some forms and some databases to gather ARRA information from the sub-grantees and the subcontracts that will be put out. It will be a lot of work in the next couple of months to get this up and going, she said.

Finance. Mr. Mayes had no further report.

Information Technologies. Mr. Hagan said the “IT” department was happy that everyone had settled into the new Central Office building. “IT” is now moving right along to the renovation of the old central office so that Ms. Lamar and Ms. Blackham can get settled in that building, he said. The one thing that has been highly beneficial in the “IT” department is that GRITS has employed an “IT” person in terms of catching up on the reporting that he had been doing for the state. From a risk assessment standpoint it is a good opportunity for the new person to also be knowledgeable of the GRITS system. Mr. Hagan said he is looking forward to the ARRA grant and looking forward to working with the new person pertaining to that.

Mr. Hagan reported that “IT” has a couple of database projects underway. *KentuckyWorks* has a program and Mr. Hagan said he hasn’t had a chance to work with Ms. Lamar on hers. The emphasis on additional reporting, and some projects that Mr. Logsdon has been looking forward to in a long time in terms of the service accounts and unduplicated accounts for the agency, those are still at the beginning stages, but they’re on the way. Mr. Hagan also said the goal is to identify each individual and this will be a tremendous project. That information will be helpful to the people and the grantors in representing AACS in the community.

ADJOURNMENT

There being no further business,

Mr. M. Douglas Smith made a motion to adjourn the meeting at 7:25 p.m. Mr. Paul Hart seconded the motion.

Board Chairperson
Judge Reid Haire