

Administrative Support Committee
Audubon Area Community Services, Inc.

MINUTES

January 28, 2010

Board Vice Chair Mr. M. Douglas Smith called the Administrative Support Committee to order at 12:15 p.m. in the agency's Board Room in Owensboro following lunch.

Members Present:

Hon. Reid Haire
Ms. Joanne Kendall

Rev. Jerry Manning
Mr. Jesse Mountjoy, Board Counsel
Ms. Betty Rucker

Mr. Doug Smith
Mr. M. Douglas Smith
Ms. Charlotte Whittaker

Key: Bold = Officer/Executive Committee Member Italics = Ex-Officio Member
*Alternate – Member not present

Staff Present:

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

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

Guest Present: Ms. Alita Wilson-Smith

CONSENT AGENDA.

Minutes of November 17th, 2009 Committee Meeting. Mr. M. Douglas Smith asked if there were any questions or corrections to the minutes. There were none.

*Rev. Manning made a motion to approve the Committee's November 17, 2009, minutes.
Ms. Rucker seconded the motion. Motion approved.*

Indirect Budget Performance Review – November 2009. Mr. Mayes pointed out to the Committee of the agency-wide Purchase Card (VISA) summary report showing all activity for the past twelve months. This shows where the agency purchased items and services in various categories pertaining and in what amounts. The report was provided in compliance with Head Start's Reauthorization Act of December 2007, which requires such Board review. Mr. Mayes stated he can go into BB&T Web site and set the report dates, which for this report was the most recent 12-month period. Mr. Mayes noted on the report of how many transactions occur in that category across the line and gives the year-to-date numbers with the purchase amounts, with credits. On page three of the report the agency-wide grand total is presented.

Given the fact that so much activity is taking place with the Purchase Card, AACS pays it off each billing cycle and thereby incurs no interest charges. Normally with such cards, "points," rewards or whatever is offered. He asked what kind of "perks" the agency receives with the Purchase Card. Mr. Mayes said BB&T cuts AACS a check for credits they have applied to the average balance, and the agency receives funds about \$7,000 to \$8,000 each year. Mr. Mayes stated he did not have the details, but he would provide that so that Board members could understand the Purchase Card rewards program. Mr. Mayes also stated he is exploring other options for most optimal use of the Purchase Card.

The Indirect financials had failed to get included in the mailed out Committee packet. Mr. Mayes said he would print and review a current Budget Performance Report on the Indirect Cost Pool later in the Committee meeting.

NEW BUSINESS

Board of Directors Review/Assessment. Mr. Logsdon informed the Committee that February is normally the meeting when some Board training is done. Mr. Logsdon said he had called Ms. Colleen Mendel to see if she would again be available to do the Board training, but, unfortunately, she won't be. Mr. Logsdon stated was putting some material together to share with Board members for their annual orientation review. That, he said, deals with primarily how the Board is composed, its committees, and things that have to do with director disclosure and conflicts of interest, which seems to be *the* hot item right now, he said. Mr. Mountjoy said he would be more than happy to once again review and discuss/explain the Sarbanes-Oxley governance requirements and disclosures. A model disclosure/conflict of interest form from CAPLAW was included in the Committee's handout packet.

Member Attendance. One Committee member, noting the 2009 attendance report in the meeting's handout packet, suggested that the Board members who were not attending the meetings should be removed from the Board. Mr. Logsdon noted only the difficulty in getting replacement members when Board members start getting removed for non-attendance. Some positions aren't easily replaced — like the public officials, he said. Alternates are *always* invited so that they will know what's going on within the organization and can appropriately step in for their members on an informed basis. Board attendance needs to be looked at as to how often the "seat" is represented or not represented, he said. Mr. Logsdon advised that a revised attendance sheet would be prepared for the February Board meeting packet showing those Board seats that are and are not reliably covered by the attendance of either the representative and/or their alternate on the Board.

A Director's Checklist, also from CAPLAW, was also included for the Committee members' use in performing their Board assessment exercise and work.

AACS Personnel Manual Revisions. Mr. Logsdon stated he had received a request from Head Start for an amendment in the agency's personnel policies and procedures.

"Holidays," Section 5.1. Ms. Gatton stated the part-time employees with Head Start have recently been given benefits so that Head Start can qualify for a higher "star rating" in the Commonwealth's child care center rating program. What was overlooked when doing that was there are Head Start classrooms both within the school systems and some that are not affiliated with a school system. Ms. Gatton said she and the Head Start management saw that they needed to make sure that part-time AACS employees worked *in* a school system follow the same holiday schedule as the full-time employees do. So that clarification is being recommended to be added to the policy.

Revised Hourly Positions Classification Chart. Ms Gatton noted two positions that needed to be added to the Hourly Positions Classification Chart. Those were **Home Based Educator I** (Grade 11) and **Home Based Educator II** (Grade 19). These positions are equivalent to a Lead Teacher, she said, but they are in the Home-Based component of the Early Head Start expansion now underway. These positions do the duties of *both* lead teachers and family advocates, but they're all in one teacher/position, she said.

By unanimous consent, the Committee agreed to recommend Board approval for the proposed changes in the agency's Personnel Manual: the revision to Section 5.1, "Holidays," and the addition of the two Early Head Start positions at their requested grades on the Hourly Positions Classification Chart.

IRS "990" Policy Checklist. Mr. Logsdon said AACS was not previously subject to the new IRS Form 990 last year, but AACS' annually-required filing with the IRS will, beginning in May of this year, be submitted on the new, expanded form. Mr. Logsdon said he had the agency's internal auditor inventory the agency's standing policies and procedures against the new "990" checklist of required policies to find

whether AACS had everything covered for the 990 checklist. It was determined there were three policy areas in which the agency was lacking, so the internal auditor had put together draft policies in those areas:

- Participation in a Joint Venture (*focused on partnering with a for-profit entity*)
- Gift Acceptance Policy
- Donor-advised Funds/Communications

Mr. Logsdon said he has sent those to Mr. Mountjoy to review prior to the Committee meeting.

Mr. Mountjoy said the recommended drafts were “good policies to begin with” but may need to continue to be worked on in the future. There was a question about three sheets behind those policies in the handout packet that appeared to be explanation of definitions rather than part of the policy drafts. Mr. Logsdon said that was correct; when the draft policies were given to him there were several terms with which he was unfamiliar, so he had asked Mr. Trivett to prepare a piece to explain what those terms meant. That was included for the Committee members so that they, too, would understand them if they were not already familiar with terms used in the policy drafts.

Mr. Mountjoy stated the “990” form used to be one-page filing. That form has grown substantially over the years, and now the IRS says tax-exempt, non-profit organizations like AACS have to file rather voluminous annual reports with them. The IRS is also looking more at the *governance* side of the non-profits now, he said. It’s much the same thing recently seen played out in the Lexington Herald-Leader with Kentucky Association of Counties (KACo) and the Kentucky League of Cities. The public as well as the IRS want to be sure that tax-exempt organizations, both non-profit and quasi-public, are well governed. The “990” has to be acknowledged under oath that the organization has reported accurately to the IRS, including the adoption of the check-listed policies, he said.

Mr. Logsdon told the Committee that the one policy that made specific reference to participation in joint ventures was relevant to AACS because of all of the recent tax-credit projects of the agency. The question IRS likely has in mind in asking whether a non-profit has a joint venture policy is, *Are you using your non-profit status to monetarily benefit some kind of individual? Is that justifiable?*

Mr. Logsdon said he recommended the three new/proposed policies for approval. In the future, the agency will look more deeply for specifics and changes. Right now, the focus is meeting the IRS “990” checklist requirements.

Rev. Manning made a motion to recommend Board approval to approve the three policies — Participation in a Joint Venture, Gift Acceptance Policy, and Donor-advised Fund Policy — in order to comply with the IRS “990” policy checklist. Ms. Rucker seconded the motion. Motion passed.

Low-Income Home Energy Assistance Program (LIHEAP) Subcontract–Amendment #1. Mr. Logsdon pointed out on page 43 of the meeting packet mailed to Committee members in advance of the meeting that AACS has been subcontracted \$1,904,170 for this year’s program. \$1.128 million is added for the LIHEAP *Crisis Component* program which is going on right now, he said. The subcontract is with Community Action Kentucky (CAK), which administers the federally-funded LIHEAP contract statewide under its contract with the Kentucky Cabinet for Health and Families. In every one of the seven Green River Area counties that AACS serves — at the CSBG offices — people are coming in for utilities and bringing their late bills and cut-off notices. This is the emergency heating assistance contract that supports that service. The Community Services Committee is where this Amendment would normally go for review and recommendation to the Board, but they met earlier in the month. There was not another Committee other than the Administrative Support Committee that this matter could go before to get that recommendation in advance of the February Board meeting, he said.

Judge Haire made a motion to recommend Board approval to approve the LIHEAP Subcontract–Amendment #1 (Adding in \$1,128,094 for Crisis Benefits). Ms. Kendall seconded the motion. Motion approved.

Army Child Care in Your Neighborhood (ACCYN). Mr. Logsdon said this contract extension would normally have gone to the Child and Family Committee, but that Committee met on January 5th and this contract extension had just come in. He reminded the Board members that the ACCYN director, Ms. Blackham, had been telling about these extensions for months. This may be the last one, he said, but was not sure of yet. The contract is now extended through the end of February 2010. It's the same agreement/terms as previously received, he said.

Judge Haire made a motion to recommend Board approval to approve the Army Child Care in Your Neighborhood contract extension through the end of February 2010. Rev. Manning seconded the motion. Motion approved.

Transportation Cabinet's American Recovery and Reinvestment Act of 2009 (ARRA) Grant–Amendment #2. As with the two matters above, the Community Support Committee (which oversees GRITS) had met two days before, but this contract extension had just arrived. This Amendment extends the parking garage Phase II funding grant *for time only*. Mr. Logsdon stated the parking garage won't be fully completed until March 2010 — at least it will be that long before all of the final construction bills come in. So the Transportation Cabinet has extended this contract *for time only* through March 31, 2010.

Ms. Rucker made a motion to recommend Board approval to accept the Transportation Cabinet's ARRA Grant–Amendment #2. Ms. Kendall seconded the motion. Motion approved.

Bond Issues' Parity Agreement. Mr. Logsdon reminded the Committee that this now oft-reported matter has to do with the bond issue on the 1700 Fifth Street building and the Christian County Head Start Center bond issue. US Bank holds the bonds on the 1700 West Fifth Street, Owensboro, building and BB&T holds the bonds on the Glass Avenue, Hopkinsville, Head Start center. And when AACCS' audit went in last year, BB&T's counsel in Charlotte, North Carolina, noticed that the gross receipts of this agency were pledged to the US Bank trustees for its bond issue. They didn't like that because they thought BB&T had prior claim on the agency's assets.

There have been ongoing negotiations involving the various bond counsel, other attorneys, the bank trustees holding these bonds, and others. Yesterday, Judge Haire signed for the County of Daviess, the issuer of an agreement for a parity pledge of these assets between US Bank and BB&T. Mr. Logsdon said he would be called upon to sign the same agreement, which would, hopefully, work out all the legal details and keep everyone happy, both banks and bondholders. Mr. Logsdon also said Mr. Mountjoy questioned whether he had ever been specifically authorized to sign the agreement. Though reported and discussed at several meetings, the Board has not resolved that Mr. Logsdon sign it. Judge Haire stated that the Board needs to authorize the executive director to sign such documents, but only do on a case-by-case basis.

Judge Haire made a motion to recommend Board approval to authorize the Executive Director to sign the Certificate relative to the Parity Agreement. Ms. Kendall seconded the motion. Motion approved.

Audubon Transit Facility/Parking Garage: Final Phase I Payoff Needs/Proposal. Mr. Logsdon noted that the Board voted (April 15, 2008) to pay \$500,000 from the sale of WellPoint stock toward the construction of the parking garage. Now, though, the expenses by the initial "earmark" grant, the ARRA Phase II grant, and the County of Daviess contribution on the parking garage are closer to \$800,000.00

over the federal/local assets that the agency had. AACS is partially through paying the agency's \$500,000 commitment, but there's (Phase I) "retainage" of probably over \$200,000 and perhaps more billings yet to come in. After this is said and done, the agency is probably going to come up with nearly \$300,000 more than the Board has already committed, he said. Right now, he has not received enough Board-approved authority to meet those obligations.

With the Business Investors Deposit Account (BIDA) reserves in this agency, there is an additional \$203,000 in the agency's investment account from WellPoint stock that was previously sold on Investment/Oversight Committee-Board approval. The Investment/Oversight Committee, which met just prior to the Administrative Support Committee, recommends that the \$203,000 be used to offset the additional parking garage close-out liability that AACS has. According to the Chief Financial Officer's numbers that were presented at the meeting, that payment of \$203,000 will leave a gap of \$89,000 yet to come up with. It was recommended that AACS pay that remaining balance out of agency reserves to clear out the parking garage's construction cost.

Mr. Logsdon said there are some "side deals" working that could, hopefully, return these commitments back to the agency, at least in part. The final parking garage bills will probably all come due in mid to late March. If it is not done now the Committee might not meet again to come forward with payments.

Judge Haire made a motion to recommend Board approval for AACS to use the \$203,000 in reserves to offset the additional liability. Rev. Manning seconded the motion. Motion approved.

Judge Haire, noting the \$800,000 AACS investment in the parking garage, inquired about the anticipated revenue on the rental of the slots/slips that will be applied to offset the cost of utilities and maintenance. If there is an overage, if there is more revenue than there are operating expenses, could AACS hope to be able to apply that to help reduce the \$800,000? He asked. Mr. Logsdon stated he didn't think the agency could do so: The Transportation Cabinet, he thinks, expects any "profits" and excessive revenues, to go back to the subsidizing GRITS' transit operation.

Potential Phase III Expansion of the Parking Garage. Judge Haire then asked if there was a possibility of acquiring some additional ARRA funds to expand the existing parking garage. Whether that is done or not, said Mr. Lanham, is dependent on anticipated downtown development. He said he was in communication with a developer who will need *twice* as many parking slots as are presently available in the existing garage. Mr. M. Douglas Smith asked how much land was "available." Mr. Lanham said there was half a city block, which is about ¼ acre, adjacent to the parking garage. The issue was, if there were an announcement about the contemplated development there, that property could either become totally unaffordable or totally unavailable?

Mr. Logsdon advised the Committee that based on discussions he had had with Chairman Haire, Mr. Lanham and others that AACS wanted to offer a 30- or 60 day option to purchase a quarter block of that property next to the downtown parking garage. A maximum figure of a \$300,000 purchase-price offer was contemplated to bind with a \$5,000 60-day option on the property. Mr. Logsdon said he would like to ask the Committee to authorize that. Mr. M. Douglas Smith asked how much the property would cost. Mr. Lanham said \$350,000 was what he'd heard was the asking price. The agency had inquired about it through a real estate agent, he said.

Rev. Manning made a motion to recommend Board approval to execute a \$5,000, 60-day option to purchase the 1/4 acre property located next to the parking garage for a \$300,000 maximum limit purchase price. Judge Haire seconded the motion. Motion approved.

Judge Haire stated that if the proposed development occurs, there will be a need for probably 400-600 new parking spots.

Mr. Lanham said that there's a narrow window for getting an additional \$5 million federal "ARRA Phase II" dollars to expand the existing parking garage and provide the needed several hundred more spaces. But if that could be done it would be nice to have those income-producing spaces for the next thirty years. It's "a shot in the dark" (getting the new ARRA funding), but this opportunity should not be ignored. Mr. Lanham said that he was required to have his proposal to the Office of Transportation Delivery, Kentucky Transportation Cabinet submitted by February 15, 2010.

Mr. Logsdon brought up the "small" matter of the \$300,000 if the seller agreed to the option to purchase and the agency decided to exercise it. If AACS decides not to exercise this option, the agency has the option to not pursue, but it would be out \$5,000. Rev. Manning asked if AACS could sell that option before the sixty days were up. Mr. Mountjoy said the seller probably doesn't care who the owner is, he just wants to get his money. After the option is exercised, there is normally thirty days to close for title and various things, he said. So AACS might, if the option provides an assignment clause, sell the option or later sell the purchased property to a developer who has to have the additional parking.

STAFF REPORTS

Wellpoint Stock Portfolio/Investment Report. Mr. Logsdon said the remaining 22,058 WellPoint shares had recently been worth over \$1.5 million, the dollar-per-share value almost reaching \$70. But the share value has been going down ever since the Senatorial election in Massachusetts and the death of health care reform. The portfolio is now worth just over \$1.4 million, so AACS has lost about \$100,000 in book value this past week, he said.

Owensboro Regional Recovery Center—Implementation and Director Liability Issues. Mr. Logsdon explained that AACS covers the members with a \$3 million DNO insurance policy, but AACS' partner, Lighthouse Recovery, Inc. has no such coverage for their directors. They are very concerned about whether they have liability or not. Maybe there is something that needs to be written in the Director's and Officer's policy specifically covering AACS with respect to ORR and perhaps the limit needs to be lifted.

Mr. Mountjoy suggested the agency have a rider to extend coverage to the affiliates. AACS has four affiliates and they are single purpose entities. AACS should look into a rider to extend to the affiliates. AACS appoints the executive director to be the acting sole member in many instances.

Mr. Logsdon said the immediate past Board chair, Rev. Manning, gave him an order through the Board that he needed to revise and update the executive director position. Mr. Logsdon said he is working very hard on it but didn't see any way that there will be a finished product by the February board meeting.

Finance. Mr. Mayes made the following reports:

Current Indirect Financials. Mr. Mayes distributed the November 2009 budget performance report for the Indirect budget. Mr. Mayes stated that the impact of ARRA had been favorable, as was discussed at the December Annual Meeting. There was an Indirect rate adjustment, he said, but that was not reflected in this report. One of the recent big cost "pushers," when the budget was run was for advertising; that cost has been increased because of the hiring of new personnel pertaining to Head Start's ARRA-funded Head Start and Early Head Start expansions. Judge Haire asked Mr. Mayes if he would have the six months totals finished. Mr. Mayes said yes and said he would put that in a separate handout.

FY2009 Audit. Mr. Mayes stated his department has been working very diligently and working long hours with the independent auditor, Alexander & Company, and its lead auditor, Mr. Tony Byrne to

get the FY2009 audit completed. Now, the financials data just needs to be compiled, he said. Finance has the *Logos* accounting system that produces those reports; he then uses Excel for the consolidation of numbers purposes. So, basically he's "bridging" together *Logos* and GAAP format numbers, he said. He said he expects to at least have a draft audit ready by the mid-February Board meeting.

Rev. Manning asked if the auditors have been on the premises. Mr. Mayes said yes, and they have been here everyday and every week since September 2009. Their presence onsite has made a significant impact and has been the best situation, he said.

Logos Mastery and Bank Account Reconciliations. Rev. Manning also asked if New World Systems' *Logos* personnel had been in to help him and his staff better understand and master the *Logos* program. Mr. Mayes said yes; the New World consultant was at AACS for a week in early January, and the consultant was able to work with AACS Finance Department team members on the accounts receivable implementation, which was a big issue relating to the accounts receivable of GRITS. Mr. Manning also noted that bank reconciliations were a hot topic last year. Mr. Mayes reported that there have been significant strides in that area and that would not be an issue in this year's audit.

Information Technologies. Mr. Hagan said the big push had been getting the Owensboro Regional Recovery (ORR) Center "configured" for telephone and "IT" services. According to Ms. Spires earlier this week, he said, she reports that she is comfortable that they are, from an IT standpoint, prepared to open for services the first of February 2010.

There are still a few outstanding "IT" issues elsewhere relating to the Head Start expansions. There is some equipment waiting to be deployed. The Head Start expansion has been overwhelming, he said. Mr. Hagan said "IT" is probably two to three weeks behind schedule with them. But they are behind, too, and have been really good about working with his department. Since the beginning of January, about forty (40) new machines have been put in place along with phones and network connections. GRITS has also been very cooperative in delaying in the relocation of their building.

Human Resources. Ms. Gatton stated that as for the hiring for Head Start expansion, by mid-February there will be several new hires (40-45 out of the projected 100 total) coming into the agency. Her department is also in the middle of re-writing and/or revising the agency's *Personnel Handbook*.

Judge Haire asked about the ARRA funds and how it has equated to the number of jobs. Ms. Gatton restated that by mid-February AACS would have forty to forty-five new hires, all related to the ARRA-funded expansion in Head Start. Mr. Logsdon said there would ultimately be a total of 100 new ARRA-funded jobs in the agency through that expansion. He also noted that there was a report in the *2009 Annual Report* pertaining to jobs that have been created in/through the agency and its "stimulus" funding.

ADJOURNMENT

There being no further business,

*Judge Haire made a motion to adjourn the meeting. Rev. Manning seconded the motion.
The Committee agreed to adjourn at 1:20 p.m.*

Mr. M. Douglas Smith,
Acting Committee Chair