

Audubon Area Community Services, Inc.
Administrative Support Committee
MINUTES
June 4, 2010

Board Vice Chair Mr. M. Douglas Smith called the Administrative Support Committee to order at 12:00 p.m. in the agency's Board Room in Owensboro following lunch.

Members Present

Ms. Daisy James
Rev. Jerry Manning

Ms. Betty Rucker
Mr. M. Douglas Smith

Ms. Charlotte Whittaker

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

Guests Present

Ms. Alita Wilson-Smith

Mr. Worth Mountjoy, *Sullivan Mountjoy Stainback & Miller, PSC*

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

OLD BUSINESS.

Minutes of April 6th Administrative Support Committee. The minutes of the previous Committee meeting had been mailed out and there were no questions or alterations.

Rev. Jerry Manning made a motion to accept the April 6th Administrative Support Committee minutes. Ms. Betty Rucker seconded the motion. Motion passed.

Indirect Budget Performance Review. Mr. Mayes pointed out the Indirect Budget was in the mailed out packet. Mr. Mayes said what he typically does is give the fiscal ending year on page two and give the percentage of the time completed. There is a percentage of 83% and this is to give a ballpark figure of where the agency is at. Obviously, within that budget there are some things that are higher. Mr. Mayes also said what he proposes to do for the future is to include these call outs with brief descriptions for those items that seem way out of variance compared to the budget just to give the Board some idea what's creating those variances. For the most part of this year, a lot of it relates to the start up of the Fifth Street building when employees moved in May 2009. We incurred expenditures by adding equipment upstairs. We did not have a good historical basis to look at. The utilities were trending higher than what we had budgeted for. As for the lease payments, within the lease agreement or within the whole bond document there was opportunity to take proceeds either now or later and we elected to hold off until future time periods. We have cash coming in from the ARRA funds. There are other monies coming in. We're pretty good on cash. We will be able to pull in those proceeds down the road.

Mr. Logsdon told the Committee the agency has about \$1 million in reserve to pull for principal payments. Mr. Logsdon noted he wanted this to be done after he retires and has been really insistent that

since AACS is really flush with cash due to the ARRA stimulus and some other revenues coming in we should pay everything we possibly can with current resources and hold that down for a rainy day.

Mr. Mayes said he didn't have a good idea of what the agency is going to do. With all the additional positions that AACS has incurred there were a lot of advertisements that has created that variance. What Finance does is pay it out of the agency's our funds then re-distributes it to the other departments. The revenues are trending higher and have more salaries than we anticipated based on the ARRA funding. That's been a real boost to the agency. Mr. Logsdon said due to ARRA, there have been a number of new positions created which is estimated at about 70-75 positions.

Mr. Mayes pointed out that in the handout was the proposed budget for the upcoming fiscal year. This gives you the increases and decreases of what the agency has. Mr. Mayes also pointed out on the back side of that page is his calculation of the revenue AACS is pulling in at the indirect rate. Mr. Mayes said he and Ms. Gattton worked together just to compare and Mr. Mayes took the most conservative factor based on current rates of pay which is in the system currently. The current rate column for \$13 million 292 is multiplied by 16.4% which is the current proposed agreed indirect rate that we could use to earn the ARRA. And then work to get our expenses in line with that income. A lot is based on the new hires. Mr. Mayes said what he included in salaries was the two additional staff from the personnel CSBG ARRA funds and ARRA jobs. The whole goal of the ARRA is to sustain these jobs once the stimulus ends. We plan to bring in a couple of people from that program into Indirect. We brought Mr. Brian Schneider and Ms. Annette Johnson in once that stream ends in September. You will also see the new office lease payments and other obligations. We have an office in Louisville.

Rev. Manning asked when this runs out. Mr. Mayes said November 2011. We have done everything we can to get it sub leased out. Some other items along there and Mr. Mayes said he likes to call them "trend adjustments", the influx of increased expenses is associated with increased revenues. We have to zero some with us being a non-profit entity. We'll have some cushion to work with.

Ms. James asked if there was an allocation or percentage you can move within the line items like 10%. Mr. Logsdon stated this is completely flexible. With Head Start there are some legal requirements. Mr. Mayes said this budget can be amended. Mr. Logsdon also stated that unlike a grant, we don't absolutely know the bottom line because it's based on the amount of salaries paid out. Mr. Mayes also said everything hinges on what's going on outside of Indirect.

Special District Budget. Mr. Logsdon said this was something that the state law requires the agency to submit and has to be submitted by June 1, 2010 or any county attorney can come in and shut an agency down.

Mr. Mayes told the committee that sometimes AACS has to send to two locations in the county. There are three columns and you'll see the actual 2008-2009 budget and then the estimate for 2010. We don't have anything you can't find on that report. United Way funds are showing. The next column, the agency is well into 2009-2010. Mr. Mayes said he could annualize those figures and project them out to the end of the year. You can see the revenue changing from 2010-2011. A lot of that is the ARRA projects like the GRITS parking garage, those funds are pretty much expended done. The CSBG funds will end within that year. Head Start is holding and Weatherization will hold.

Mr. Mayes said he is projecting out where AACS might end up. Some things may have been fully received. Mr. Logsdon commended Mr. Mayes on his presentation and layout of the budget. In the Head Start Act that was passed in December 2007, they now require the Board to pass an annual agency budget and not just the Head Start budget. Since we submit this every year in accordance with state law

requirements this represents that agency budget and we want to be on record that the Board having approved.

Rev. Manning made a motion to recommend the Special District Budget to the Board. Ms. Daisy James seconded the motion. Motion passed.

Indirect Budget FY2011.

Ms. James made a motion to accept the Indirect Budget FY2011. Ms. Rucker seconded the motion. Motion passed.

President's Place Limited Partnership Agreement. Mr. Logsdon said that he and Mr. Jesse Mountjoy went to Leitchfield on May 14 and were able to knock a lot of this out. The attorney in Leitchfield and Mr. Mountjoy have been going back and forth on this. This is the final agreement. What has been copied shows all of the edits and what has been changed. Mr. Logsdon pointed out of the principal things he would like to comment on is the two things on page 11, where we're talking about the management center. The thing that drove this whole President's Place concept was the creation of the community non-profit resource center. This is a large center with office space, IT support, copiers, and all kinds of other supports for non-profits that don't have a home. There will be a full commercial kitchen and space for feeding 140 people at one time. What we have worked out is Wabuck is going to manage the 60 apartment units which will be in 13 different buildings, duplexes and tri-plexes. AACS will manage the community non-profit resource center. Back on page 34 there are a bunch of numbers inserted where allegedly some net value after debt of about \$2.4 million. This is just a paper transaction. The money that is coming through AACS to President's Place is actually being considered like a loan to the developer and to the project and we earn 8% off of this loan. At the end of the compliance period, 2026 we will have a paper value of about \$2.5 million. We will be able to acquire the property outright for no expense at all. They'll owe us money on paper. We wanted to be a co-limited partner, Wabuck and their attorney would not buy that at all. They are the managing general partner.

Mr. M. Douglas Smith asked if there would be a Board overseeing this. Mr. Logsdon said no. There are two general partners in the project. Mr. Logsdon also said he is the sole board member of the AACS side and that he also works for the Board.

Ms. Whittaker asked if this was something that might be done in other counties. Mr. Logsdon said yes it is. Right now, Wabuck seems to think Owensboro has such a housing need. Mr. Keith Free, who is on AACS' board, says there is an immediate need for 400 more apartment units in town.

Rev. Manning made a motion to accept the President's Place Limited Partnership Agreement and to recommend to the Board. Ms. James seconded the motion. Motion passed.

Owensboro Regional Recovery – Federal Home Loan Bank Requirements. Mr. Logsdon said AACS has been struggling to get the \$500,000 from the Federal Home Loan Bank board. Mr. Logsdon also said if any of the Board members were at the ribbon cutting and ground breaking ceremony at ORR, the guy from the Federal Home Loan Bank was excited about it. Mr. Logsdon stated he didn't think there was any question about the agency us getting \$1.2 million, but there sure is a lot of paperwork. Two of the things that are required are the declaration of land use restrictive covenants and it has already been filed with the court house. There had to be an amendment to the property management agreement. They required that amendment be made as well. There are still a few things that we are pulling together. We submitted the whole packet and it was a huge one. They sent a notice back and needed more pieces.

Ms. Rucker made a motion to accept the Owensboro Regional Recovery – Federal Home Loan Bank Requirements; Restrictive Land Use Covenants and Revised Property Management Agreement. Rev. Manning seconded the motion. Motion passed.

Personnel Manual Revisions. Ms. Gatton stated the one thing HR wanted to add, which was in the handout, is the Child Development credentials. Head Start has Lead Teachers and Family Advocates. Earlier this year, it had been changed to the Home Based Educators instead of Family Advocates and Lead Teachers that is rolled into one. They are called the Home Based Educators. We didn't have their credentials in the policy. This is the recommendation for the Board. Both positions are rolled up into one. They have to hold a minimum of an Associates Degree in Early Childhood. The next one is the Child Safety that has come from Marsha Lawrence from Head Start. It just goes through making sure the agency is touching on all of the child safety requirements. There is a couple of small items to be cleared up. It's just reporting of any child abuse.

Ms. James made a motion to accept the Personnel Manual Revisions – Section 13.7 (5, 6, 7) – Child Development Credentials – “Head Start Home-Based Educators” and Section 13.12 (4) – Child Safety – “Report Suspected Child Abuse or Neglect”. Ms. Charlotte Whittaker seconded the motion. Motion passed.

2008 IRS 990 Filing –Review and Approval. Mr. Logsdon said he circulated this as soon as he received it and put it out in an email. This had to be submitted by May 15. The 990 has been previously approved by the Board.

Rev. Manning made a motion to accept the 2008 IRS 990 Filing – Review and Approval. Ms. James seconded the motion. Motion passed.

STAFF REPORTS.

GRITS ARRA Budget and Closeout. Mr. Logsdon pointed out to the Committee there was a letter in the handout packet. The U.S Department of Transportation and the Federal Transit Authority decided not to approve an amendment. Mr. Lanham has told Mr. Logsdon that GRITS has to pay \$12,000 because they didn't approve the amendment. That will close out as of June 30. GRITS' acquisition of the hybrid vehicles, generator unit and the construction of the parking garage is under this grant.

Terry L. Payne Restitution Payment (Partial). Mr. Logsdon said the agency has received the first restitution payment of \$3,200.00. Mr. Payne will be paying \$400 a month for eight months. Altogether there will be \$24,000 paid back and he will still owe a little over \$21,000.

Head Start GAO Findings and Fallout. Mr. Logsdon noted that everyone may have read in the paper about the General Accounting Office finding some fraud and abuse in the Head Start programs, but not in Kentucky, where people were enrolling ineligible children.

Olomouc Exchange – *The Curious Journal*. Mr. Logsdon said his trip was a great one. They were excited about what we shared with them.

BB&T – US Bank Security Resolution. Mr. Logsdon said he was pleased to report that after more than a year, the bond issue problem has been worked out. There was a problem as far as BB&T was concerned. It's all signed, sealed and delivered. Today, Mr. Logsdon says, he received a two month extension on the letter credit agreement and that's only because the corporate representative from BB&T is out of town. Otherwise, the paperwork has come in. We are going to receive in August a five year

extension on the letter of credit and then it will probably be five year increments until the bond issue is finished.

Finance. Mr. Mayes informed everyone the agency has performed these audits and have the *Logos* and the Excel version. Mr. Mayes stated he has been working on that project within the database that is including the stuff from the Excel report the final product. What the goal is to have a complete trial balance of the entire organization printed, reconciled with including the investments, and the fixed assets. The notes payables have to be shown in the final report. All of those items will be incorporated with use of this fund. Mr. Mayes also stated he will be able to present to the Board as a whole the complete organizational wide budget. Of course there was one nagging item which was the bank reconciliations. We are working with the same model and Mr. Brian Schneider has been brought in to help with those and Ms. Maryanne Mountain is working on them as well. Mr. Mayes said he is looking at re-visioning how the formatting of the reconciliation to make it more user friendly. This would be better for the auditors too and they appreciate it as well.

Human Resources. Ms. Gatton said the biggest thing HR has been working on is preparing the worker's compensation and they have worked with Phil Brown Insurance to get an alternative quote. The agency's biggest competitor is KESA. AACS is currently with Kentucky League of Cities (KLC) right now. KESA's rates are in line with the current rates. The employer liability insurance is only at \$2 million total instead of \$4 million. With KLC the rate is really low at 1.1%. There have been a couple of worker's comp issues in the last six months which may affect the agency's rates next year. We may be a little leery of changing to a new company. The agency has went through the whole audit with KLC and have received a rebate check from them for \$85,000 this year.

Mr. Logsdon noted of another article of alleged potential mis-dealings with KLC, the urban county government and the mayor. The proposal they have given us is a good solid proposal. We haven't firmly made that decision. I still remain a little concerned about KLC.

Information Technologies. Mr. Hagan told the Committee that IT has put the finishing touches on the Head Start expansion for all the centers across Western Kentucky. Now, there is another major project where security cameras will be installed at 30 locations. All of the full-day full-year Head Start centers will be upgraded and equipped with security cameras if they do not have them already. The funding for that will come from the ARRA expansion. It is going to be next week and into September before this will be wrapped up. Another project is the Route Match project for GRITS. The Route Match software does the reservations, scheduling, reporting and part of the billing for GRITS. It's easily and the most complicated software in the agency. There are about 20 different users in the Bowling Green area office and in Owensboro. This project will be starting early July because that also will include deployment of mobile data terminals in the vehicles which will be a significant expansion of the tracking capability.

ADJOURNMENT

There being no further business ...

Rev. Manning made a motion to adjourn the meeting. Ms. Rucker seconded the motion. Without objection, the meeting was adjourned at 1:00 p.m.

Mr. M. Douglas Smith, Acting Committee Chair