

**HUMAN RESOURCE DEVELOPMENT COUNCIL OF DISTRICT IX
HRDC Conference Room
Thursday, February 19, 2009**

I. CALL TO ORDER

Donna West called the February 19, 2009, meeting of the Human Resource Development Council of District IX (HRDC) to order at 8:30 a.m. The following members were present: Joe Menicucci, Chris Budeski, David Kack, Kris Moos, Ramona Stout, Kathy Tanner, Donna West, Billie Warford. Members excused: Cynthia Cheney, Al Murillo, Cheryl Ridgely and Gene Townsend. Staff: Jeff Rupp, Mary Martin, Kristin Hamburg, Tim Trzinski, Cyndi Graham, Whitt Hampton, Joan Davies, Heather Grenier, and Ken Miller. Guests: Loren Randall

II. PUBLIC COMMENT

There was no public comment offered.

III. BOARD MEMBERSHIP

Kristin identified two individuals interested in serving on the HRDC Board of Directors: Kate Molberg, a representative from the Head Start Policy Council and Crystal Turner, Gallatin County Executive Assistant.

Jeff stated he had been contacted by the Gallatin County Commissioners regarding Crystal's appointment and had responded that Crystal's appointment would be made by the HRDC. Jeff suggested officially holding off on seating Crystal on the HRDC Board until the County makes an official recommendation.

Billie moved to accept Kate Molberg has a member of the HRDC Board of Directors. Donna seconded the motion, and the motion carried.

There remains one vacant position on the HRDC Board of Directors for a homeowner or a renter to represent the housing program.

IV. CONSENT AGENDA

Chris moved to accept the Consent Agenda as submitted. Kathy seconded the motion, and the motion carried.

V. SPECIAL PROJECTS

- **HRDC Mission Statement**

Heather reviewed the current HRDC Mission Statement and Vision Statement and provided a brief overview of the purpose of the Mission Statement. The HRDC Board Members separated into groups and participated in a Mission Statement exercise facilitated by Heather. Each group reported to the complete Board.

Chris explained his group addressed what HRDC does in the community and the group decided HRDC provides people with opportunities to better their lives and improve their current situation. HRDC's intent is to educate and provide tools and solutions for a better quality of life. HRDC attempts to assist one person at a time and then grow from there. David agreed and stated while the goal is to help the community, that goal can be reached by assisting individuals. Chris thought the public's view of HRDC was important and that HRDC not be viewed just a place to get free services.

Billie and Donna discussed the desire to achieve self-sufficiency and strengthen the community one hand at a time. Billie also identified providing tools and services and solutions to facilitate positive change. The Board identified the need to build stronger communities.

HRDC Bylaws

Heather directed the Board members to the changes to the HRDC Bylaws and explained the proposed changes. Heather explained the Head Start requirement that the HRDC Bylaws contain a reference to HRDC assuming legal and fiscal responsibilities and that those requirements must be specifically contained in HRDC's Bylaws.

David asked about Section 4.5(b)(1) and the reference to "formerly enrolled," and wondered how far back "formerly" would apply. Jeff believed there was Head Start Policy Council direction on the definition of "former" parents and that it was only for one or two years.

Jeff explained the procedure for selecting HRDC representatives and that community organizations have the right to select someone to represent them, and bring the nomination forward to the HRDC Board. The HRDC Board would then decide whether to seat the member. A group could also petition the HRDC Board to be represented. The organization would need to have a democratic election and would need to be an organization that fits within the HRDC purpose.

Heather addressed the audit committee and Jeff noted while the audit committee is recommended, it is not required to be included in the Bylaws. Jeff suggested the audit committee should be included.

Chris moved to accept the modifications to the Bylaws. Ramona seconded the motion, and the motion carried. (Eight board members present and signing.)

VI. STREAMLINE

. Board Representation

Jeff explained discussions with Streamline on governance issues. There are two seats reserved for the HRDC to participate in the Streamline Advisory Committee. Jeff asked the HRDC Board to appoint two representatives. David and Kris had both expressed interest in being appointed. The appointment discussion was postponed until later in the meeting.

VII. INVESTMENT AND CASH MANAGEMENT REVIEW

Kris reported on his discussions with four local banks regarding HRDC's accounts. Kris identified a good situation with First Interstate Bank and its government-sponsored program that allows insurance up to \$50 million. Kris stated HRDC was carrying a large balance in its main checking account and discussed placing some money in the Certificate Deposit Account Registry service (CDARs) Program on a 26-week basis that pays a higher interest rate. Kris also discussed HRDC's loans with First Interstate Bank and stated he believed HRDC would have more leverage if all the accounts were with one bank. However, the small accounts for apartment complexes would remain at First Security Bank. Kris believed First Interstate Bank was very eager to secure HRDC's banking business. Chris suggested HRDC could go back to CDs in the future if the interest rates go back up.

Jeff acknowledged he and Whitt had reviewed Kris's recommendations and stated he was comfortable with the First Interstate Bank recommendation. Kris stated he had spoken with Stockman's Bank, First Interstate Bank, and First Security Bank.

Kris also recommended stretching out the two-year window for the CDs to four years.

David moved to accept Kris's recommendations. Donna seconded the motion, and the motion carried.

Streamline Representative Discussion continued

Donna moved to appoint David to the Streamline Board. Kris seconded the motion, and the motion carried.

VIII. 2008 AUDIT REVIEW

Whitt and Loren reviewed the audit report with the HRDC Board.

Loren explained the audit indicated there were no problems with noncompliance or deficiencies in the HRDC's internal control structure. Loren explained the major programs of Head Start, Transportation, and the Road to Home did not reveal any noncompliance or weaknesses in the internal control structure. Additionally, the opinion on HRDC's financial statements is that the financial statements are "clean".

Whitt explained the audit committee (Joe, David, and Kris) had met and reviewed the audit report in detail. Chris wondered if the audit report had identified any "red flags." Whitt responded that there were no "red flags" but did identify changes on the horizon, such as the large increases in Department of Energy and Low-Income Energy Assistance Program funding for weatherization. Jeff explained Montana could receive \$27 million for weatherization, and that on April 1, 2009, the program will double. Jeff explained how energy audits are conducted, and that the state would be reviewing HRDC's work and is concerned HRDC may be missing something in its energy audits. Jeff explained the concern is that the HRDC is not identifying enough opportunities to expend the funds through its energy audits, which are very sophisticated. Jeff explained most HRDCs hire their own crews rather than going out to the private sector. Jeff stated he would specifically identify any disconnects in the delivery system once the state issues its report.

Whitt outlined changes HRDC experienced in the year ending June 30, 2007. Streamline began and Whitt reviewed the expenses for that program. Additionally, HRDC acquired the Summit apartments which was \$438,000 in assets and debt. HRDC also received a donation of the Lippencott property in Livingston, which represented a \$175,000 donation. HRDC also purchased the lot adjacent to the Food Bank for \$56,000. For the year ending June 30, 2008, HRDC experienced fewer nonrecurring items.

Whitt directed the Board's attention to the Balance Sheet on page 2 of the Audit. Current assets are \$13.4 million and Liabilities are \$3.1 million. On page 3 Whitt reviewed the Statement of Activity, pointing out revenue for 2008 was \$7.9 million. The most significant change was in the valuation of food inventory at the Food Bank and a decrease in interest earned. Expenses were \$7.8 million.

Page 4 of the Audit details functional expenses. Whitt pointed out the Administrative cost is 7%. A graph of these expense groupings was provided to the Board.

On page 6, Consolidated Statement of Cash Flows shows an increase of \$300,422 in cash and cash equivalents.

Whitt directed the Board to the Supplemental Schedules on pages 30 - 66.

The financial schedules for the HOME Corp were reviewed noting Assets of \$1.2 million and Liabilities of \$880,000. Whitt explained that over the past three years the operating deficit has continually increased by between \$30 - \$40 thousand. As of June 30, 2008 that deficit was \$65,296. This deficit is reflected in the Accounts Payable and is owed to the HRDC for Management fees and staff salaries.

Whitt stated the Audit Committee had discussed this property. Kris commented that the Committee had thought about potentially refinancing, using cash to pay down the mortgage and the possibility of converting to condos and selling. Each of these ideas would need to be explored and may not be viable. David added that the Committee also talked about what the HRDC could do with the money that was going to support West Babcock or recognize that this is part of our mission and continue to provide operating funds. He suggested a subcommittee to further explore options. Chris also thought a subcommittee was a good idea.

Jeff reminded the Board that this is not an issue that is only spoken about at Board Meetings, but that staff are working on the problem. It is complicated with the multiple partners involved, the public funding used and the restrictions that would have to pass to a new owner. Jeff also spoke about the HRDC's current ability to handle the funding needed to support the property; that we have built up reserves for just such needs.

Continuing with the Audit report Whitt directed the Board's attention to the other properties owned by the HRDC. The Miles, Sherwood, Summit Place and Colorado Apartments by contrast are all doing very well with positive financial positions.

David moved to accept the audit. Chris seconded the motion and the motion carried.

Chris, Kris and David volunteered to form a subcommittee for West Babcock Apartments.

IX. Human Resource Update

Cyndi provided a labor update on negotiations. The pay band structure has been approved and is in place. Cyndi will be working on individual marketing adjustments by department. Most of Cyndi's time through February has been spent on labor negotiations, but Ken is now working on labor negotiations so Cyndi can focus on implementing the compensation structure.

Jeff stated he became involved in the labor negotiations in January in an attempt to understand the process and to ensure that everything possible was done to reach an agreement. Jeff believed the parties were close to an agreement at the end, but efforts to build a trusting relationship failed.

Cyndi added a meeting with mediator occurred in early January and proposals were exchanged. The union postponed a meeting scheduled for February. Ken agreed with Jeff and his outline of attempts to reach an agreement. Ken identified major negotiation points as money and control. Ken stated he did see some improvement in the process and that for the first time, HRDC received a written proposal prior to meeting with the Union. Ken did not believe the Union devoted an adequate amount of time to the negotiations. Ken thought more progress could be made by exchanging written package proposals rather than scheduling meetings. Jeff believed most of the remaining issues are with management rights, and that, as the executive officer for HRDC, management needs to be Jeff's responsibility.

David wondered what HRDC had heard from the Head Start Policy Council and parents. Cyndi responded there was a large turnout at the last meeting. Ken depicted the Head Start Policy Council as being neutral in Union negotiations, although the Union had made limited attempts to speak with parents. Ken urged caution when developing specific wording for the contract. Ken thought it was important to have the ability to assign teachers and make reductions according to program needs. Jeff noted Head Start regulations are changing and that, in the future, Head Start teachers will be required to have college degrees. Cyndi commented the HRDC currently has those management rights. Ken acknowledged the hard work Cyndi had contributed to the negotiation process and urged the HRDC Board to contact him if they had any questions. Ken submitted a written report to the Board and stated the Policy Council would be meeting next week and that he would be recommending a support staff reduction of almost 20 percent. Ken stated any proposed reductions would not take place until the fall of 2009. Jeff stated he was trying to avoid having to implement longevity increases.

X. CEO REPORT

Jeff expressed his desire to conclude the lengthy negotiation process since HRDC would soon be impacted by the energy conservation increase. Jeff anticipated at least a six-fold increase in weatherization activities. Jeff estimated Montana would receive \$10-\$20 million for transit grants and thought the bus barn project would now be back on the table. Additionally, youth programs would receive \$1.2 million. Additional money will also be able for housing, the Community Services Block Grant (CSBG), and homeless shelters and initiatives. Jeff believed the additional money would ease the debt on some of HRDC's projects. Jeff cautioned the funds would be one-time only money and would need to be spent within 18 months. Jeff suggested HRDC could also develop a useful, state-of-the-art web page. Jeff suggested Head Start could receive an additional \$100,000 to reduce Head Start's deficit and would allow Head Start to not have to reduce services. Jeff expressed concern about money for Head Start expansion since the money is one-time only. Jeff stated he was excited about the tremendous opportunities, but was also concerned about the increased workload the

funds would create. Jeff did not envision the HRDC transitioning out of Head Start since the HRDC holds mortgages on Head Start facilities.

David reported that Montana State University had decided to continue supporting Streamline and had donated \$85,000.

Joe expressed concern about not supporting the outlying areas of Gallatin County. Jeff stated the \$85,000 was specifically designated. David stated there was discussion about serving Three Forks and Manhattan. Jeff responded that Streamline is aware of the need for transportation services in the outlying areas.

XI. ADJOURN

David moved to adjourn. The motion was seconded and the meeting adjourned.