

**HUMAN RESOURCE DEVELOPMENT COUNCIL OF DISTRICT IX**  
**HRDC Conference Room**  
**Thursday, February 25, 2009**

**I. CALL TO ORDER** Donna West called the February 25, 2010, meeting of the Human Resource Development Council of District IX (HRDC) to order at 9:00 a.m. The following members were present: Chris Budeski, Cynthia Cheney, David Kack, Al Maurillo, Kris Moos, Cheryl Ridgely, Ramona Stout, Kathy Tanner, and Donna West. Staff: Jeff Rupp, Mary Martin, Joan Davies, Sara Fisher, Kristin Hamburg, Whitt Hampton, Ken Miller, Lee Hazelbaker, Tracy Menez, and Heather Grenier. Guest: Loren Randall

**II. PUBLIC COMMENT**

There was no public comment offered.

**III. CONSENT AGENDA**

Jeff requested the employee evaluation process for HRDC staff agenda item be postponed and placed on the next agenda. The Board agreed.

Chris commented on the LISC grant and asked that the Special Projects Officer be identified. Heather clarified she is the Special Projects Officer.

Chris also asked about the reference to the Food Bank award being \$3 per client per month. Heather confirmed the reference was correct.

Chris moved the Consent Agenda be approved without the employee evaluation process. Ramona seconded the motion, and the motion carried unanimously.

**IV. 2009 AUDIT REVIEW**

David explained the Audit Committee did not discover any issues, all guidelines were followed, and HRDC's accountings were accurate.

Loren directed the Board to item 7 of the Summary Schedule of Findings and Questioned Costs on page 71 of the Audit Report. Loren explained HRDC's largest programs are reviewed every three years. The audit addressed weatherization, Low Income Energy Assistance Program (LIEAP), Community Services Block Grant (CSBG), and Retired Senior Volunteer Program (RSVP). Loren stated there were no major problems, and the programs are working as designed.

Loren cautioned that ARRA compliance takes approximately twenty hours per program and the additional work would not be completed on schedule. The additional cost will be approximately \$1,200 - \$1,500.

Chris asked whether the American Recovery and Reinvestment Act (ARRA) funds could be utilized to pay the additional cost. Whitt responded the funds may be available, but HRDC procedures require the audit fees and the costs of the audit are to be borne by the programs based upon the number of transactions experienced by each program.

Whitt reviewed the HRDC's Total Net Assets which were approximately \$7.6 million in 2004 and approximately \$11.6 million in 2009. Total assets rose from approximately \$10.4 million in 2004 to approximately \$14.8 million in 2009. Total liabilities went from approximately \$2.8 million in 2004 to approximately \$3.2 million in 2009. Whitt noted the substantial change depicted for 2006-07 was due to the HRDC purchasing the Summit Apartments and acquiring the Housing and Urban Development (HUD) mortgage of approximately \$438,000.

Whitt next reviewed the Consolidated Statements of Financial Position as of June 30, 2009. Total assets were approximately \$14.8 million in 2009, which was an increase of approximately \$1.5 million from 2008. Total liabilities were approximately \$3.1 million for 2009. Total net assets increased from approximately \$10.2 million in 2008 to approximately \$11.6 million in 2009. Whitt explained the increase was due to an increase in deferred loans receivable and the down payment assistance loans of approximately \$450,000 from the Road-to-Home program. The other item responsible for the increase in total net assets was pledges receivable and the Smite Estate donation to Galavan of \$800,000. Whitt explained the first payment from the estate was for \$667,00 and was received in August. The second payment of \$167,000 was received in November. One more payment is anticipated. Whitt explained the funds are recorded as contribution revenue in the year HRDC received the promise, rather than the year the funds were actually received, as required by the Generally Accepted Accounting Principles. The funds are expected to be fully distributed in early 2011, and the total amount is expected to be approximately \$900,000.

Fixed assets (building, land, vehicles) account for approximately \$7.4 million of total assets. The largest line item under liabilities is loans payable in the amount of approximately \$2.4 million, and that amount includes the West Babcock mortgage from the Montana Board of Housing of approximately \$672,000. Accrued vacation and sick leave have a combined liability of approximately \$180,000, which is an increase of approximately \$5,000 from 2008. As of June 30, 2009, 98.2 percent of accrued vacation and sick leave is funded, and an adjustment is made at the end of each quarter to close the gap.

Whitt next reviewed the Consolidated Statements of Activity which showed total revenues of approximately \$9.6 million, representing an increase of \$1.8 million from 2008. Total expenses were approximately \$8.9 million, which was an increase of \$1.2 million from 2008. There was an increase in unrestricted net assets of approximately

\$643,000 which was attributable to the Road-to-Home down payment assistance loans. Whitt depicted the asset as “artificial” since the loans would be recouped over time. There was a total increase in net assets of \$1.4 million. Whitt explained the increase in revenue was due to the increase in grant revenues.

Contributions included in-kind Food Bank contributions valued at \$1.49 per pound, which are recorded as both revenue and as an expense. Whitt explained the increase in United Way contributions was due to the HRDC acting as a nonprofit sponsor for the Downtown Relief Fund, which received approximately \$186,000. Approximately \$157,000 of the Downtown Relief Fund was distributed by June 30.

Food Bank received a donation of a refrigerated truck which represented \$50,000 of in-kind donations.

The Statement of Functional Expenses depicted the expenses for individual programs. Administration expenses have remained steady at approximately seven percent. Whitt stated the Health, Nutrition and Senior Citizen program has large expenses because of the \$2 million in in-kind food contributions. Housing expenses remain steady at approximately 17 percent. Transportation had a significant increase to approximately 14 percent of the total. Head Start and Energy also experienced significant increases. Total expenses across all programs were approximately \$8.9 million. Whitt commented salaries experienced approximately a \$9,000 increase from the previous year and emphasized some of the increase was due to staff being added to address the higher activity at HRDC. Weatherization contract increases were responsible for the increase in contract services.

Cheryl asked about the correlation between contract revenue and contract services. Whitt explained the largest part is from managing various properties and stated there was not a large correlation between the two.

Loren commented the financial statements do not reflect the value of services provided to clients such as those with LIEAP, and stated the value of those services is sizeable.

Kathy asked about Youth and Business Development, and Whitt explained how the Community First Fund makes loans to small businesses and is combined with the Youth program. Whitt explained all but several thousand dollars of the total expenses is for Youth Development. Whitt also explained a large part of the Work Force Investment Act program is set up to enroll at-risk youth, find an employer in the community, and have wages paid from the grant. Kathy suggested the total amount of staff salaries, taxes, and fringe benefits represented a large percent of the total expenses. Jeff asked whether the expenses were out of line and AI responded the expenses were typical for that type of a program. Jeff stated he would followup on the salary expense.

Donna asked about fundraising. Whitt explained the majority of the expenses were related to the Food Bank, which takes in substantially more than it spends on fundraising events.

Chris asked about the recording of volunteer hours. Whitt stated volunteer hours are recorded for some of the programs as required by the terms of various program grants. Whitt explained how Food Bank tracks volunteer hours, but those hours are not reflected in the financial statements.

Whitt continued and reviewed HRDC's Statement of Cash Flows. HRDC paid down approximately \$58,000 in long-term debt.

Whitt encouraged the Board members to spend some time reviewing the footnotes. Whitt reviewed restricted donations which totaled approximately \$900,000. Whitt directed the Board to Deferred Loans Receivable on p. 15. Miles Building, Inc., loans are approximately \$824,000, which are loans made by HRDC into the Miles, LLP, and those funds are tied up for a minimum of 15 years. The Road-to-Home program has made 93 down-payment assistance loans totaling \$1.5 million and has experienced an approximate increase of \$450,000. The HRDC Loan Program also has outstanding loans of approximately \$90,000 and those loans were paid down by approximately \$17,000 over the past year. Whitt reviewed Fixed Assets. Buildings, land, and improvements remained relatively stable since last year, but vehicles had an approximate \$200,000 increase from last year. The increase included two Galavan vehicles, two weatherization vans, and two vehicles for Food Bank.

Whitt addressed Loans Payable, including the Montana Board of Housing loan, the City of Bozeman loan for West Babcock, Head Start building, the HRDC central offices, Sherwood Inn Apartments, Summit Apartments, and Gallatin Valley Food Bank. The loans total approximately \$2.4 million.

Whitt reviewed the HRDC's Concentration of Risk and emphasized the HRDC's rental housing projects could be impacted if the local rental housing market changed.

Whitt reviewed page 31 and the total federal award expended amount of approximately \$4.7 million. Whitt stated some of the ARRA grants are beginning to show, and the funding has picked up since July 1.

Whitt commented the Sherwood Inn Apartments continue to be a strong performer with positive financial results for the HRDC. Whitt asked the Board members to independently review the Supplemental Schedules.

Whitt stated the Arrowwood House was sold the end of October and that HRDC was notified at the end of October that it would be receiving the NSP project funding for \$7 million. The building and land was acquired in February for \$2.85 million. Whitt emphasized that total grant revenue for the current year would increase considerably. ARRA grants total approximately \$4 million over two years, including the Bus Barn construction grant for approximately \$1.2 million. The Food Bank expansion project design phase has commenced. Whitt stated the ARRA grants will represent significant increases, but those increases would not be sustainable.

Chris wondered who would manage the Cottonwood units until they are sold. Jeff responded the current manager would continue to collect rents and deposit those rents into HRDC's account.

Cheryl moved to approve the 2009 audit report. Kathy seconded the motion, and the motion carried unanimously.

The Board thanked Whitt and Loren for their hard work.

## **V. HEAD START REPORT**

### **Financial Update**

Ken reviewed the financial budgets, including two ARRA budgets. Ken depicted the Head Start general fund as being in good shape, and that there may be four or five percent of the Head Start budget that could be used for one-time expenditures. Ken explained how the ARRA funds subsidized portions of the general fund and allowed for upgrades on buildings. Ken felt the expenditure for building upgrades was prudent. Ken stated transportation was cut in addition to 1.5 FTE in support staff.

In-kind contributions are approximately one-half of what is needed for the year and has been an ongoing struggle. Ken reported a number of in-kind contributions are in the works. Ken explained how many of Head Start's in-kind contributions accumulate from small activities such as parent volunteering. Ken stated there is a backlog of paperwork. The requirement is that one out of every four dollars has to be matched with in-kind contributions. Ken assured the Board that in-kind would be met.

Ken anticipated funding for expansion in the future and if the funding materializes, it would require an additional \$40,000 of in-kind contributions. Ken stated he would be hesitant to expand unless there were a concrete means of raising the required in-kind contributions. Jeff addressed the proposed expansion and stated the expansion was needed. Donna commented that there was a Pastor from a Church that was interested in assisting Head Start. Ken reiterated he did not believe it would be wise to commit to another \$40,000 in in-kind contributions without having a solid idea on how to meet

that requirement. Romana commented expansion would be an important effort since Three Forks and Manhattan have many needy children that would benefit from Head Start. Jeff stated any discussion on expansion should begin with where to put a classroom. Donna recalled the Policy Council discussed in-kind contributions at length, and that there are a variety of ways the requirement could be met, including having parents keep better track of their volunteer hours. Ken noted parents could not be required to participate and submit records of all their time. Also, Head Start time and money cannot be used for fundraising.

#### **Program/Labor Update**

In addressing the labor update, Ken stated he has a final draft of an agreement. The agreement commits no salaries except what comes from the federal government. Health insurance is capped at an eight percent increase. The contract releases Head Start employees from HRDC on salary. Ken stated health insurance is a small part of Head Start's budget since not many employees take advantage of the health insurance benefit. HRDC retains the ability to change health insurance plans in an effort to cut rates. Management retains the right to make decisions that are in the best interest of the program. Ken stated he was satisfied with the contract.

Chris asked about salary adjustments, and Jeff explained if money is made available from Head Start's primary funding source, i.e. the federal government, the contract will be reopened to negotiate those dollars. The contract will not be reopened for any other reason, and the contract is set to expire in 2012. Ken stated there is no expectation for any additional pay increases other than those coming from the federal government.

Jeff expressed his concern about miscalculating the eight percent, of employees that would use the insurance, and the cost increase if all Head Start employees were to request health insurance. Kathy asked if there is a menu of plan options and what would happen if one of the options experienced an increase. She also wondered whether Head Start would still be in compliance with the agreement should there be a need to change plans. Ken responded, we are able to change plans, deductibles etc.

#### **OHS Monitoring Protocol**

Ken directed the Board to the Selection Priority Criteria, 2010-2011, and asked the Board for approval.

Cynthia moved to approve the Head Start financial report and the Selection Priority Criteria, 2010-2011. Al seconded the motion, and the motion carried unanimously.

Chris asked whether Ken comprised the Selection Priority Criteria. Ken responded the report was developed by a team of individuals. Chris stated he would have preferred to have more time to review the Selection Priority Criteria and that the report has only required Board approval since the reauthorization. Ken explained the impact that

disabilities have had on the point system since the range of disabilities has increased dramatically. Chris clarified he wanted to know whether the form was created by the federal government or whether the form was created internally based on professional experience. Ken stated both factors came into consideration. Donna added both the Head Start Policy Council and parents participated in revising the form.

Chris wondered about the other questions on the survey, and Ken offered to provide the results of the entire survey.

## **VI. STREAMLINE**

Lee requested approval of the 5311 grant. The Montana Department of Transportation has given a grant amount of \$745,538, of which Streamline would have to provide a match, for a total of \$1,263,509. Lee stated he has taken on the responsibility as coordinator and wrote the coordinator's plan. Streamline's goals for the upcoming year include keeping the current services in tact. In addition, he would like to bring Streamline in-house instead of using a bidding process for drivers and maintenance. Lee suggested Streamline will be in its new building sometime this summer. The Transportation Advisory Council (TAC) is considering the idea of creating a general dispatch mobility position. Lee would also like to add additional services if money is available.

Donna asked whether Streamline would remain fare free, and Lee agreed. David explained MSU contributed \$85,000 in FY 2009 to begin Saturday and Livingston service. David explained MSU is waiting to see what overall cuts will be required by the Governor's budget. David commented that based on current survey results, MSU faculty and students comprise approximately 55 percent of Streamline's ridership. Jeff clarified the application would be for the total amount of \$1.2 million.

Cheryl expressed a desire to have a more detailed report. Jeff noted that the TAC had reviewed the application in detail and the TAC had members of the HRDC Board. Jeff offered to include the information in the next read file. David noted service levels may have to be adjusted based on the grant amount. Donna asked whether the suggestion to bring Streamline in-house was an effort to save money. Lee stated they would look at the differential between what it is costing to hire contractors as opposed to obtaining those services in-house. Another consideration to bringing drivers in-house would be the role of the Union. Jeff stated the complications involved with the current structure and that he would consider bringing Streamline in-house only to improve the quality of service.

Cheryl moved to approve the Streamline grant application. Kathy seconded the motion, and the motion carried unanimously.

## **VII. CEO REPORT**

Jeff directed the Board to the letter from the Gilhousen Family Foundation regarding HRDC's Home-to-Stay program. In the future, the HRDC Board will receive copies of the minutes from all of HRDC's Advisory Boards. The minutes will be sent electronically if electronic copies are available. Jeff stated the design stage of the Food Bank expansion was moving forward. Donna stated they would be writing grants and soliciting donations for the Food Bank expansion project.

Jeff stated the next 12-18 months would be interesting in view of the upcoming election cycles.

Jeff acknowledged the passing of Paul Forsythe, an 83-year-old war veteran and consumer of HRDC services.

**VIII. FIELD TRIP**

The HRDC Board attended a formal tour of the Bozeman Peaks Project.

**IX. ADJOURN**

Al moved the HRDC Board of Directors' meeting be adjourned. The motion carried unanimously.

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Donna West, Chairperson

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Date