

HUMAN RESOURCE DEVELOPMENT COUNCIL OF DISTRICT IX
Board Meeting
HRDC Conference Room
Thursday, February 24, 2011

I. CALL TO ORDER

David Kack, Chairman of the Human Resource Development Council of District IX (HRDC), called the February 24, 2011, meeting to order at 8:55 a.m. The following members were present: David Kack, Joe Menicucci, Mitch Bradley, Al Maurillo, Kris Moos, Kathy Tanner and Billie Warford. Staff: Jeff Rupp, Mary Martin, Kristin Hamburg, Whitt Hampton, Heather Grenier, and Lee Hazelbaker. Guest present was Loren Randall, CPA.

II. PUBLIC COMMENT

No public comment was offered.

III. CONSENT AGENDA

- **Minutes**
- **New Contracts**
- **Head Start Financial Report**

Joe moved to accept the Consent Agenda. Kathy seconded the motion and upon vote the motion was approved.

IV. 2010 Audit Review

Whitt explained the report would be presented in three parts. First the Audit Committee consisting of Kris Moos, David Kack, and Joe Menicucci met on December 20, 2010 to review the draft of the audit report and will give their report. Second, Loren Randall is here to specifically review the ARRA reports and to answer any questions the Board may have and third Whitt will provide an overview of the financial statements.

David reported on behalf of the Audit Committee. David referred to the comments regarding the findings beginning on page 70 of the Audit report and the response provided to those findings. Keeping in mind that the HRDC received an additional \$7 million to implement 10 additional programs, the findings involve the possibility that the current internal program compliance controls may not allow management to prevent or detect and correct noncompliance issues in a timely manner. Specifically the areas of concern are in forms used to calculate income eligibility and consistent documentation in client files as required by federal guidelines. Additionally, Davis Bacon laws requiring weekly, certified payrolls, were not followed for routine maintenance and repair projects in excess of \$2,000.

Jeff spoke to the need to initiate these programs without having consistent guidance from the funders early in the process. Three of the findings come from the Homeless Prevention and Rapid Rehousing ARRA funds; a program we chose to move forth very aggressively to keep people in housing. Of more concern are the two findings within a program we have had for some time, Workforce Investment Act (WIA). State monitoring reviews have also found concern with file documentation and calculation of income within this program. This is a program we have had for some time and we should be doing better.

Loren Randall, CPA provided an overview of the Audit drawing the Board's attention to page 1, which provides a "clean" audit report. No issues were found in the financial reporting. The second part of the audit is testing of program compliance. Loren explained the testing on major programs with funding in excess of \$300,000. The audit opinion states there are no material compliance issues and we continue to be a "low-risk auditee." This dictates the scope of the audit for the next year. OMB clearly defines at what error rate findings will be issues by auditors.

Jeff provided comments regarding the OMB threshold of a 5% error rate. We are human and we will make errors. To say 95% accuracy is not acceptable is unrealistic.

Joe moved to accept the Audit Report and Kris seconded the motion. Upon vote the motion was approved.

Whitt provided highlights of the agency audit. Whitt encouraged members to review the foot notes as they contain much useful information.

Total assets as of June 30, 2010 were \$19 million, a significant increase from the prior year at \$14.8 million. Total liabilities are \$3.5 million an increase from \$3.2 million the previous year. Total net assets, if this were the private for-profit world this would be the owner's equity, \$15.5 million an increase from \$11.7 million in the prior year.

The increase in assets comes from the increase in inventory, which is largely the West Edge Condos held for sale. Because we are holding the condos for resale, they are recorded as inventory rather than a fixed asset.

The construction in progress reflects phase two of the West Edge Condos, Food Bank expansion and the bus barn construction.

Whitt provided an overview of the Income and Expense statements, noting that even without the ARRA funding the HRDC has doubled in size in the past five years.

A review of the functional expenses shows 6.45% expended on administration, compared with the prior year at 6.79%.

Whitt reviewed the Statement of Cash Flows. Included in the revenue and expenses is the value of the food contributed to the Food Bank of \$2.5 million.

The footnotes provide detail on the five subsidiary corporations. On page 10 Whitt explained the Temporarily Restricted Net Assets. Pages 12 & 13 explain what is in inventory, page 15 explains the deferred loans receivable and page 16 details the loans in the Road To Home program. The Fixed Assets are broken down on pages 17 & 18. Pages 18 & 19 details the loans payable.

- **Ethic/Conflict of Interest Statements**

David asked Board members to review and sign the Conflict of Interest Statement provided in the read file. These are required to be updated annually and many of our funding sources do ask to see the signed statements.

V. HRDC PROGRAM OVERVIEWS

David provided a summary of why the Program Overviews were developed, the purpose being to provide information on each program and how each ties into the strategic goals. They also give the Board timely information if any of the goals are not being met and need more attention from the Board.

David explained that a meeting took place with Tim, Lori, Heather, Mitch, Jeff, himself and the Yellowstone Club Foundation. They are interested in the Healthy Kid's Pack Program and invited us to request \$50,000 for each of the next three years in support of that program. Based on that meeting a letter of request has been developed to expand the program county wide. Upon review by the Board Joe moved to authorize the Chairman and the CEO to sign and submit this request to the Yellowstone Club Foundation. Mitch seconded the motion. Joe suggested including River Rock school. Mitch related the Yellowstone Club's desire to be part of the community. Billie commented on the impact that the proposed cuts to the WIC program will have on the Food Bank and felt this is a good foundational effort. Upon vote the motion was approved.

Heather commented that she is working to get the template consistent and that some measurements are new and that we don't necessarily have tools to track those goals at this time. What would be the most useful is that all key metrics show the cost of the service and the cost of success.

VI. MDT Application/Plan

Lee presented an overview of the application to the Montana Department of Transportation (MDT) for funding of Streamline/Galavan. The application also includes the Coordination Plan for our area. This application has been reviewed and approved by both the local Transportation Advisory Committee (TAC) and the Advisory Board.

David explained the MDT funding process is that they tell us the maximum amount we are eligible to receive. We have been offered additional funding due to the increase in our ridership. Along with that goes the need to raise additional matching funds. Currently MDT provides

about 50% of the funding for Galavan and Streamline. Jeff explained we have been offered \$100,000 more than last year. Currently we are short on the match but he is confident we will raise it. The Advisory Board is looking at one route, the Yellow route, which is very busy. Under consideration is weather to increase frequency and/or add loops. Services are also being expanded to include stops at the Mental Health Center, West Edge Condominiums and extended hours during the week and on Saturdays. Those suggestions came both from the riders and from the TAC.

Another challenge is the communication between Galavan and Streamline. We are looking at a live GPS tracking system that could be accessed via a smart phone app or on face book and twitter so that riders would know the location of a bus and when it would arrive at a particular stop.

Al questioned how the HRDC provided \$196,000 in matching funds. Jeff explained that came primarily from merging the existing Galavan funding into the Streamline budget as match.

Joe moved to submit the grant application to MDT. Al seconded the motion and upon vote the motion was approved.

VII. CEO REPORT

Jeff provided an update on the current Legislative actions and referenced the Presidents' State of the Union address where he proposed to drastically change the Community Services Block Grant (CSBG) program. The President proposed to cut the funding in half and to eliminate the State funding formula and make it a competitive grant. Historically this means funds go to urban areas. When the Republicans met to discuss the Continuing Resolution, they proposed to cut \$405 million of the \$700,000 million appropriations. To the HRDC this would calculate to a reduction from \$270,000 to \$60,000 in CSBG funding. This funding is the heart and sole of the HRDC and is the only flexible funding available.

Currently the House Budget Committee is proposing spending from March 4 through September 30 that would impact our office in the following ways:

CSBG- zero; LIEAP - Reduced 40% (Montana Legislature voted not to accept the federal funding for this program); WX/DOE - zero; RSVP - zero; WIA - reduced \$2.3 billion. This is a forward funded program and this effectively results in zero funding. HOME - frozen; FEMA - zero; Head Start - 15% reduction; Streamline - this committee was allocated 24% less than last year and it is difficult to determine the local impact.

Over the past 29 years this Agency has positioned itself well, not being totally dependent on Federal funding and there is money in the bank. We are the best positioned of any HRDC in the State to survive the next three to five years. The question will be how the HRDC looks in the future. The frustration is that if all discretionary funding was eliminated you would only save 15 cents on the dollar when the budget calls for borrowing 40 cents on the dollar. You must not just

look to discretionary funding but also must address the entitlements such as medicare, medicaid and social security.

A video by ABC News that describes the budget in terms of pennies was shown. Using \$100 in pennies to represent the \$3.7 trillion budget, the pennies were placed in stacks of five pennies each representing \$2 billion. These stacks were then divided to represent the segments of the budget for security and defense; interest payments on the national debt; entitlement programs (Social Security & Medicare) and the smallest section represents everything else from space exploration to building roads. In the President's State of the Union speech he referenced cutting Community Action Programs, so how much would be saved; 1/3 of 1 penny. The video explained that to balance the federal budget entitlement programs and defense must also be cut.

Jeff explained these are the issues he spoke to Senator Tester about during their meeting. Mitch asked what Senator Tester's reaction was to the meeting. David responded that Senator Tester did seem to acknowledge the need to address entitlement programs. He also spoke to the difficulty in accomplishing any significant change in those programs. Jeff explained he focused on the fact that we are ready to be part of the solution and that small western states must be allocated some set percentage of any block grant. Without such a formula these small states cannot compete with the numbers in the larger urban areas.

Jeff requested authorization to work with the Executive Committee should the need arise to quickly respond as we go through this legislative period.

Joe commended the HRDC on its efforts to get the Warming Center operational.

Al spoke to the fact that people don't want more government but do not make the connection between creating a law and creating more government.

Billie wondered if anyone was aware of the jobs lost and the impact to the economy. Al responded that studies show for every dollar cut \$4 - \$5 are lost from the economy.

Members discussed many issues facing our country.

VIII. ADJOURN

Joe moved the HRDC Board of Directors meeting be adjourned. The meeting adjourned.

David Kack, Board Chairperson

Date