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City of Cold Spring

February 22, 2010

Mr. Neil Hackworth
Deputy Executive Director / COO
Kentucky League of Cities
100 East Vine Street
Suite 800
Lexington, KY 40507

RE: KLC February 22, 2010 Listening Session

Dear Deputy Executive Director Hackworth:

Thank you for providing the opportunity to provide feedback to your organization. Unfortunately, your feedback session in Northern Kentucky falls on the same evening as the City of Cold Spring's council meeting. We have several voting items on the agenda and accordingly my direct responsibility to our residents is to chair the meeting. Because of the importance of the topic of this letter, I have asked our City Administrative Office Mick Vank to present this letter during your listening session. I assure you I will be brief and direct.

First and foremost, I want to commend the many KLC staff workers for their hard work. They have provided the City of Cold Spring much value over the years.

However, the main topic of this letter is the recent disclosure of State Auditor Luallen's special examination of the KLC. I commend the Lexington Herald-Leader for its initiation of this issue and its dogged pursuit of the grisly facts. I also want to commend Auditor Crit Luallen for her thoroughness. Her **2009 'Public Official of the Year'** by Governing Magazine is obviously deserved. Now to address the issue directly at hand.

My main comment is to the Executive officers of the KLC - "shame on you". Shame on you for the blatant arrogant self effacing abuses. Not only for actions pre Herald-Leader disclosure but more empathically for actions FOLLOWING the disclosure. Pre disclosure actions were classic for a bureaucratic government (quasi government) organization that creates its own false egalitarian self worth. A clear indicator of the self absorption is the creation of the NEW CITIES INSTITUTE. Essentially a multi million dollar "think tank" that per the 2006 audit only delivered twenty percent (20%) to programs even though per the audited statements the Institute's purpose is "to define and promote the economic and social vitality of cities". As a side note, management expenses were 75% of total costs. Overall, the business offenses by the KLC were atrocities and violated virtually every form of accounting internal control and possibly direct offenses against executive fiduciary responsibilities. The level and frequency of abuses have been well publicized and require no additional commentary here.

I now move to post disclosure actions. Regardless of past accomplishments and internal review, to allow a disgraced head of an organization months to "retire" and then be allowed to issue a meandering multi-page historical farewell is unheard of in the business world. Yes, the KLC is a

\$54 million dollar business! Unless a fallen Wall Street bank executive, paying of a going away / farewell party as done by the league is also unheard of. Normal business protocol would have been for the fallen executive to be removed swiftly with a professionally drafted organizationally issued exit press release. Equally shocking is for the board to allow executives involved in the oversight of such abuses to remain. Again, normal business protocol would be for swift replacement of the removed executive via a full and thorough search of EXTERNAL candidates. The chief financial officer would additionally be removed and again replaced by an external candidate. Finally, the make-up of the Board of Directors would have immediately changed. Especially considering that board members openly admit to lack of knowledge ("being kept in the dark" per the mayor of Kentucky's largest metropolitan government) and "falling asleep at the wheel" as admitted by another Mayoral Board member.

To regain customer credibility and redevelop the focus of the KLC's roots, I recommend the following:

1. Immediately hire an external Executive Director using the following steps:
 - Develop a search team of highly respected community and business leaders.
 - Develop a clear job responsibility and competency profile.
 - Conduct an external candidate search utilizing a reputable search agency.
 - Interview and hire the successful candidate with **FAIR AND REASONABLE WAGE and EMOLLIENTS.**
2. Hire an external financial officer using the above mentioned steps, but include the new Executive Director in the process.
3. Redesign the Board of Directors membership to resemble a true business board of directors in the following manner:
 - Reduce the board to approximately 10 members
 - Voting majority would be external members (non league members) who receive a small stipend for participation.
 - Remaining balance of the board would be league members.
 - The entire board would be subject to **TOTAL** league vote.

I again thank you for this listening meeting and look forward to an appropriately aligned, focused and efficient Kentucky League of Cities. Please be advised that the City of Cold Spring will be withholding its annual dues until substantial League compliance with Auditor Luallen's report and additionally the city will be seeking market competitive bids to the league's insurance services. Such is owed to our residents who give your organization approximately \$120,000 per year..

Sincerely yours,

Mark A. Stoeber
Mayor