



July 14, 2003

AFRH Chief Operating Officer Fact Sheet No. 1

Subject: Rumors, Inaccuracies and Incomplete Information

Applicability: AFRH-Washington Residents

In recent months there seems to be a larger than normal amount of rumors and inaccurate information circulating the AFRH-Washington campus. Rumors create an environment of negativity and unnecessarily stress individuals who hear these rumors. In an effort to correct some of the inaccurate information currently circulating, I offer the following responses to specific rumors that have been brought to my attention.

1. **Rumor:** The 50 cent military payroll deduction increase hasn't happened and it appears that the Chief Operating Officer doesn't seem to be doing anything to make it happen.

Response: If the payroll deduction was approved tomorrow, I would be the first person to welcome it with open arms. However, when I (you) look at the history of this initiative I (we) need to be realistic. Congress "authorized" the additional 50 cent military payroll deduction increase as part of the National Defense Authorization Act of 1995. However, during the eight year period following its "authorization" it has not been "approved." My philosophy, as I have shared with each of you before, is that I need to take steps to control our own outcome. My staff and I need to explore and adopt initiatives that will bring revenue into the Homes and offset the \$7M per year that the AFRH is not realizing from approval of the proposed additional 50 cent military payroll deduction increase. The AFRH Management Team must be good stewards of our resources. The Management Team needs to eliminate unnecessary expenses, streamline operations and make sound business decisions that will positively impact our Trust Fund without any degradation of service to our residents. The AFRH Management Team is currently implementing a plan that will get us exactly where we need to go. The bulk of our plan is scheduled to be implemented over the next 18 months.

Since we cannot fundraise like corporate America we only have a few choices to help us achieve our goal of achieving the level of financial stability we desire. Our options are: (1) seek appropriated funds, which has been attempted before with no success; (2) increase resident fees – which I choose *not* to do, or (3) seek opportunities that will generate money for our Trust Fund, i.e., leasing of unused spaces. I believe we must take these necessary steps before the reality of the additional 50 cent increase occurs.

2. **Rumor:** The AFRH management team plans to close the Washington Campus and move all the AFRH-Washington residents to the Gulfport facility.

Response: FALSE. There are no plans to move the AFRH-Washington residents to the Gulfport facility. The Gulfport facility is 99% full at this time.

3. **Rumor:** The AFRH management team is selling off all the AFRH-Washington campus land.

Response: FALSE. The only land that is being sold at the AFRH-Washington campus is the 49 acre parcel of land which Congress instructed us to sell/lease as part of the National Defense Authorization Act for 1995 . We are in the final stages of selling the 49 acres. Selling this property will bring additional revenue into our Trust Fund and ensure a healthier financial future for the AFRH and its residents. No other land is being *sold* at the Washington campus.

In order to bring additional revenue to the AFRH Trust Fund, which is not only my commitment to the residents, but also my responsibility, I am exploring options to lease excess or underutilized buildings at the AFRH Washington campus. In addition to bringing in additional revenue, leasing excess buildings and spaces will create opportunities for the Home and its residents to interact with the local community organizations. Organizations who rent space from the AFRH will be responsible for paying utilities and paying all maintenance costs for the building(s) they occupy. Utilities and maintenance will be *in addition* to monthly rent fees. Having lessees pay for monthly rental fees, utilities and maintenance relieves us from paying these expenses. We can then redirect the funds we saved to other requirements. *The real plus of leasing unused buildings is that we gain additional revenue, but the AFRH still owns the land and the property the building is situated on.*

Currently we lease space to: The Army Corps of Engineers, the National Trust for Historic Preservation, and the Smithsonian Institution. We are currently exploring lease agreements with the Charter School System, the U.S. Vets Organization, the Veteran's Administration and the Washington Hospital Center.

4. **Rumor:** Under the new Health Services model residents at AFRH-Washington will have to get their own doctors.

Response: FALSE. Residents will continue to have access to the services of qualified doctors at AFRH. Residents will also continue to have access to doctors at the Walter Reed Army Hospital and the Veterans Administration. However, if residents choose to be seen by private physicians of their choice they can do so, but, expenses must be incurred by the resident.

5. **Rumor:** Transportation to the Walter Reed Army Hospital will be eliminated.

Response: FALSE.

6. **Rumor:** AFRH residents are losing services.

Response: FALSE. I am committed to protecting the care and services you currently receive. In fact, as the Chief Operating Officer, my goal is to improving the level of service our residents receive. This goal will not occur overnight, but working with the AFRH Management Team we continue to make steady making progress on a daily basis. It is important to note, however, that in order to improve the service(s) residents receive, there may be a change in the method of how services are delivered.

7. **Rumor:** All the current AFRH-Washington civil service employees will be eliminated and all positions will be contracted out.

Response: FALSE. It is true that the AFRH is planning to reduce the size of its civilian workforce, but our workforce of the future will still be mostly Federal civil servant employees. The AFRH Management Team is exploring having certain operations such as food service and grounds maintenance (i.e., snow removal, etc.) competitively outsourced (having private vendors bid to perform a given function). We will better be able to provide complete information to residents on what operations will be contracted out later this year.

8. **Rumor:** Having the Food Service and Dining Administrator travel between the two Homes is costly and unnecessary.

Response: Ms. Rachel Hatten has been appointed as the Agency's Food Service and Dining Administrator. Ms. Hatten reports directly to the Chief Operating Officer. Rachel is an expert in her field and has successfully managed the Food Service and Dining operation at the Gulfport facility.

Instead of having two identical billets at each Home, which is twice as expensive, I have decided to have Ms. Hatten be the Food Service and Dining Administrator for both Homes. Although there will be a moderate amount of travel expenses required for Ms. Hatten to travel between both facilities, this is far less expensive than having two full time employees on the AFRH payroll doing the same job. Having one Administrator will also ensure consistency of services and the same level of food service quality at each Home.

9. **Rumor:** The Deputy Director positions at each Home are being filled by military member and the Washington Home will have a Navy military member as the Deputy.

Response: TRUE. As Chief Operating Officer I have selected military members to serve as Deputy Directors at both the AFRH-Washington and AFRH-Gulfport facilities. Having military Deputy Directors is consistent with the guidance of the National Defense Authorization Act for 2002. Additionally, senior members of the Department of Defense and the Deputy Chiefs of Staff for Personnel of the Military Services also support our efforts on this issue.

CDR Paul Soares, USN, has been selected to be the Deputy Director of AFRH-Washington and LtCol Wendy Van Dyke, USAF, has been selected to be the Deputy Director of AFRH-Gulfport. CDR Soares will report in early August and LtCol Van Dyke will report in mid-July.

Since residents of all Services reside at both campuses, I decided to have an Air Force member assigned to the Gulfport facility and a Navy member assigned to the Washington facility. This mix will better represent all the serviced population at both Homes.

- Rumor:** The Ignatius Guest House will no longer be available to guests visiting residents and there is a plan to lease the Ignatius to an organization who deals with rehabilitation of drug users. The individuals who are being rehabilitated will have full range of movement on our campus and will potentially be a threat to the current residents.

Response: It is TRUE that the Ignatius Guest House will no longer be available for guests visiting AFRH-Washington residents. We are, however, making available 10 rooms available to visiting guests in the Scott Building which will replace the lost spaces at the Ignatius Guest House.

It is also TRUE that we are entertaining a short-term pilot project with an organization called Cloudbreak, DC, LLC, who will house 24 of their residents in the Ignatius Guest House spaces. The AFRH Trust Fund would receive a set monthly rent from Cloudbreak, DC, LLC, and they would be responsible for utilities and any required maintenance. Again, this is a lease arrangement only, the AFRH will still own the Ignatius Building and the land that Ignatius sits on. I would just like to mention that it currently costs approximately \$170,000 a year for AFRH to operate the Ignatius Guest House. However, we only received \$90,000 in incoming revenue (rental fees). This leaves a deficit of \$80,000 which is currently paid out of the Trust Fund. This is not good business, and we need to turn it around. By leasing the Ignatius we will have a cost avoidance of the \$80,000 (previously taken out of the Trust Fund), plus our goal is to actually realize a positive cash flow from this initiative (future rent to be paid by leasee).

First, let me tell you that Cloudbreak, DC, LLC, provides services to veterans who are recovering drug and alcohol users. These veterans are referred to Cloudbreak by a transitional housing program and/or a Veterans Administration program. All of their residents have significant clean/sober time – most an average of 12-18 months, or

longer. Most of Cloudbreak's residents are working and pay 30% of their monthly income to Cloudbreak. These residents do not have a free ride. The Cloudbreak coordinator states that their residents are excited about helping to build a good program and understand the need to set a positive example. They realize that overcoming pre-conceived ideas about them will be a challenge. The coordinator also offers that these veterans should be considered very stable individuals. Cloudbreak will have 24 hours a day, 7 days a week administrative in-house coverage in the Ignatius building.

11. **Rumor:** Some sort of School is moving into the old Grant Building. Having a school on the AFRH-Washington property will have a negative impact on the AFRH-Washington residents.

Response: TRUE. The AFRH Management Team is in formal negotiations with the DC Charter School system. There are actually two schools who will compose the Charter School, Tri-Community, DC Prep. These schools are interested in the Grant Building (which has set vacant for many years), and the former Security Office Building (security team has relocated to basement of Sherman Building). Leasing space to the Charter School System also creates a positive revenue source for the AFRH Home. Representatives of the AFRH and the Charter School System are currently meeting to discuss how this initiative can be implemented here at AFRH-Washington, as well as iron out all the outstanding issues surrounding a venture of this type. A Charter School presence could occur as early as this Fall.

Properly managed, we believe these tenants will prove to be an asset to our campus vice creating a negative environment.

12. **Rumor:** Management is doing nothing to get a Dental Hygienist hired.

Response: FALSE. Although we have had some false starts (i.e., a very limited number of applicants and applicants who did not meet specified criteria) we are now confident that we will have a full-time Dental Hygienist hired during the month of July (report date will be late July/early August 2003).


Timothy C. Cox
Chief Operating Officer