



ADMINISTRATION FOR  
**CHILDREN & FAMILIES**

Office of Head Start | 330 C St., SW, 4<sup>th</sup> Floor, Washington DC 20201 | [eclkc.ohs.acf.hhs.gov](http://eclkc.ohs.acf.hhs.gov)

January 17, 2017

Mr. Daniel Liskai, Board Chair  
Teaching and Mentoring Communities  
5215 McPherson Road, Suite 204  
Laredo, TX 78041

Dear Mr. Liskai,

As you know the Office of Head Start (OHS) is reviewing TMC's refunding application for budget year beginning February 1, 2017. OHS recognizes that the Board is proposing major changes in this refunding application to address some longstanding challenges, most notably chronic under-enrollment and top heavy management structure.

One proposed change, not related to long standing challenges, is the proposed move of the administrative offices from Laredo to San Antonio. I am aware that Board members visited Dr. Enriquez and Sandra Carton this past summer to discuss the proposed move. I believe Dr. Enriquez indicated that there was "no federal regulation" that prohibited the move but it had to be reasonable in terms of cost and financial impact on the program. A critical aspect of the financial impact of the proposed move is the issue of federal share in the current administrative building in Laredo.

OHS has concluded, after reviewing the current and past leases and other legal documents for the administrative building in Laredo, that the federal government, except for some possible contributions from state funds, has a 100 percent federal share in the administrative building. This conclusion is based on the fact that the lease was structured as a capital lease, not an operating lease, and therefore the lease payments over time created a federal share. The cumulative lease payments far exceed the value of the property. Up to this point, we do not see evidence in the public record that TMC has ever recorded the required Notice of Federal Interest (NFI) and, based on its history of dealings with TMC, the Lessor (KQC) should have transferred title for the building to TMC. It is urgent that TMC receive title to the property so that the federal share can be properly protected. TMC needs to immediately work with KQC to obtain title to the property and regardless of who holds title to the property, TMC must file the required NFI immediately.

Once TMC completes the actions necessary to protect the federal share, we can discuss the reasonableness of the move to San Antonio, which would require a formal request for disposition under 45 CFR §75.318. This discussion must assure that the federal

government's share in the facility is accounted for. OHS intends to approve the refunding application, but include language to restrict the use of funds associated with the move to San Antonio, until all legal matters related to the Laredo building have been satisfactorily resolved.

I would also urge TMC to review all of its leases to ensure that NFIs have been recorded in connection with all capital leases and, where applicable, titles have been transferred to TMC. Please submit copies of all other KQC and capital leases to Sandra Carton by January 31, 2017. I am confident working together, we can get these issues resolved. Please let me know if you have any questions or concerns.

Sincerely,

A handwritten signature in cursive script, reading "Ann Linehan".

Ann Linehan  
Acting Director  
Office of Head Start

Cc:

Ms. Sandra Carton, Regional Program Manager  
Mr. David Kadan, Grants Management Officer