

FINANCE AND AUDIT COMMITTEE
McHenry County Government Center – Administration Building
667 Ware Road
Woodstock IL 60098

MINUTES OF TUESDAY, DECEMBER 9, 2008

Committee Chairman Marc Munaretto called the meeting to order at 9:30 a.m. The following Committee Members were present: Marc Munaretto; Lyn Orphal, John Hammerand, Barbara Wheeler, Tina Hill, Scott Breeden and Daniel Ryan. Also in attendance: John Labaj, Deputy County Administrator; Ralph Sarbaugh, Associate County Administrator – Finance; Peter Austin, County Administrator; Eric Anderson, of BMO Capital Markets Harris Bank; Geri Sherman, Workforce Network; John Hadley, Facilities Management; Cathy Link, Purchasing; Tom Sullivan, I.T.; Sandy Lewis, Mental Health Board; Bill LeFew, Treasurer; Bob Ivetic, Human Resources; Pam Palmer, Auditor; interested public; and the press.

Marc Munaretto, Chairman	
Scott Breeden	John Hammerand
Tina Hill	Lyn Orphal
Daniel P. Ryan	Barbara Wheeler

MINUTES

Ms. Orphal made a motion, seconded by Mr. Ryan, to recommend approval of the November 18, 2008 Finance and Audit Committee minutes. The minutes were approved as submitted with a unanimous voice vote of all ayes.

PUBLIC COMMENT: Ms. Lewis asked that the Committee discuss and consider the parameters of the Mental Health Board when looking at the Debt Issuance Policy.

PRESENTATION:

Debt Issuance – Eric Anderson: Chairman Munaretto stated that Mr. Anderson was invited to today's meeting to present items and issues to be considered as part of the Debt Issuance Policy. He stated that the policy was created as a methodology for borrowing and deals with all areas of finances. Mr. Anderson began his presentation by reviewing tax treatment of debt issued. Debts can be issued as bank qualified, non-bank qualified or taxable. Bank-qualified and non bank-qualified are both tax exempt. When the County issues debt it chooses a tax treatment. If it expects to issue not more than \$10,000,000 in any particular calendar year, it designates the debt as bank-qualified. If the County will exceed the \$10,000,000 borrowing amount, the debt issued that year would be non bank-qualified. During the process, the County must determine the amount of debt certificates and leases of all types that been issued as these instruments count toward determining bank-qualification. If a debt is issued as bank-qualified and the I.R.S. determines the County has issued more than \$10,000,000 in debt that particular calendar year, they can declare the debt non bank-qualified and extract a penalty. The County will have caused a "technical default." Rating agencies will view these as a weakness in the County's internal controls and it would put pressure on the County's bond rating. Currently the County has no central point of responsibility for tracking and recording all leases and insuring that requirement I.R.S. forms are property filed on behalf of the County. The County should always receive a copy of the filed 8038-G or 8038-GC form from the lessor. The form needs to be properly signed, stamped and filed by the I.R.S. The forms are sent to the I.R.S. office in Provo Utah for processing. Mr. Anderson was unaware of any I.R.S. filing fees. It was recommended that the States Attorney's Office always review the contract documentation and that the Finance Office keeps a record of all information regarding every transaction that is financed. Ms. Lewis asked for clarification if leases entered into by the Mental Health Board would impact the County. Chairman Munaretto noted that as an agency of the County those debts would have an impact.

Chairman Munaretto asked Mr. LeFew to join the Committee to review proposed amendments to the Debt Issuance Policy. He asked that the Committee review the proposed changes with no action planned for today. Mr. LeFew stated that he agreed with the re-wording to the *Arbitrage* section and with the need to centralize all debt records. The Associate County Administrator – Finance will verify the proper filing of documents with the I.R.S. and will keep these records. Chairman Munaretto thanked both Mr. Anderson and Mr. LeFew for their input and asked members to review the proposed document and contact him with any observations or suggested changes. He would like the Committee to consider this document for approval at a meeting in January.

Chairman Munaretto announced that the meeting scheduled for December 23rd has been canceled. He noted that it may be necessary to schedule a Finance and Audit Committee meeting to consider a financing issue for E 911.

NEW BUSINESS

2008 Year End Budget Adjustments – Ms. Orphal made a motion, seconded by Mr. Ryan to recommend the County Board approve the following Resolutions:

Resolution authorizing a budget line item transfer in the Workforce Network FY 08 budget;
Resolution authorizing budget line item transfers from the General Fund Non-Departmental FY 08 budget to the State's Attorney's General Fund FY 08 budget;
Resolution authorizing budget line item transfer in the FY 08 budget between General Fund Departments Non-Departmental and Merit Commission;
Resolution authorizing budget line item transfers in the FY 08 budget between General Fund Departments Non-Departmental and County Coroner;
Resolution authorizing budget line item transfers in the Valley Hi Enterprise Fund FY 08 budget;
Resolution authorizing budget line item transfers from the General Fund Non-Departmental FY 08 budget to the County Clerk – Elections General Fund FY 08 budget;
Resolution authorizing budget line item transfers from the General Fund Non-Departmental FY 08 budget to the Facilities Management General fund FY 08 budget.

On a roll call vote, the motion carried with all members present voting aye (Breedon, Hammerand, Orphal, Hill, Ryan, Wheeler and Munaretto).

Ms. Hill stated that the next six resolutions are all related to I.T. renewal contacts and asked that these items also be taken as a group. She then made a motion, seconded by Mr. Breedon to recommend the County Board approve the following Resolutions:

Resolution authorizing a maintenance agreement with Citrix XenApp Platinum Edition at a cost of \$24,100;
Resolution authorizing a support contract with Hyland OnBase at a cost of \$32,526.08;
Resolution authorizing a multi function peripheral service and supply maintenance renewal agreement with Stan's Office Technologies at an annual cost of \$316,500;
Resolution authorizing an annual hardware and software maintenance agreement with AVAYA Communication at an annual cost of \$92,900;
Resolution authorizing a software support contract with VMWare at a cost of \$24,709.00;
Resolution authorizing a contract for online legal services to Westlaw at an annual cost of \$33,180;
Resolution authorizing a Performance Series maintenance support contract with Cogsdale at a cost of \$51,467.00.

On a roll call vote, the motion carried with all members present voting aye (Breedon, Hammerand, Orphal, Hill, Ryan, Wheeler and Munaretto).

Resolution authorizing Workers' Compensation Claim Settlement in the amount of \$4,173.66: Ms. Hill made a motion, seconded by Ms. Orphal, to recommend the County Board approve a Resolution authorizing Workers' Compensation Claim Settlement in the amount of \$4,173.66. This Resolution was approved by the Human Resources and Management Services Committee at their recent meetings. Mr. Labaj asked the Committee if they would still like to see these Workers' Compensation Claim Settlement Resolutions. The Committee stated that they would not like to change the process and asked to continue to look at these items. After discussion, the motion carried with all members present voting aye on a roll call vote (Breedon, Hammerand, Orphal, Hill, Ryan, Wheeler and Munaretto).

Resolution authorizing a change to the pay-for-performance guidelines: Ms. Orphal made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing a change to the pay-for-performance guidelines. Mr. Ivetic reported that there are still a few employees that have reached or exceeded the maximum allowed salary range. The proposed Resolution would change the pay-for-performance guidelines to allow those employees exceeding the maximum salary range to receive a cash award based upon the annual merit salary

and as approved by their department head. After discussion, a roll call vote was called. The motion carried with all members present voting aye (Wheeler, Ryan, Hill, Orphal, Hammerand, Breeden and Munaretto).

Resolution authorizing a contract between Techsolve and McHenry County for a workflow process improvement event for the Department of Planning and Development: Ms. Wheeler made a motion, seconded by Ms. Orphal, to recommend the County Board approve a Resolution authorizing a contract between Techsolve and McHenry County for a workflow process improvement event for the Department of Planning and Development. Members questioned if this should be considered after the new Director takes office. Mr. Austin stated that Mr. Sandquist had reviewed this proposal and agreed that it would be a useful project. After discussion, a roll call vote was called. The motion carried with all members present voting aye (Wheeler, Ryan, Hill, Orphal, Hammerand, Breeden and Munaretto).

Resolution opposing Legislation granting the Governor discretionary authority to hold back funds: Mr. Ryan made a motion, seconded by Ms. Orphal, to recommend the County Board approve a Resolution opposing Legislation granting the Governor discretionary authority to hold back funds. The motion carried with all members present voting aye on a roll call vote (Wheeler, Ryan, Hill, Orphal, Hammerand, Breeden and Munaretto).

Discussion - Indigent burial expenses: Mr. Sarbaugh reported that there has been an increase in the cost of indigent burials. The current price is approximately \$3,300, previously the cost was \$600. These issue must be taken into consideration when the budget is being addressed. Ms. Link stated that the County goes out for bids on these burial expenses. Mr. Labaj also reported that the family has an option to sign-off on cremation which can be done at a lower cost. The Coroner has also requested additional cooperation from the Public Administrator to insure what funds are available. Chairman Munaretto stated that the Committee should address the tasks and responsibilities of the Public Administrator at a future meeting as an agenda item.

Discussion – Agenda process / procedures: The Committee reviewed procedures to process Resolutions. Chairman Munaretto stated that it has been the policy to have the Finance and Audit Committee review all requests of over \$20,000 even if it is a budgeted item. Mr. Sarbaugh also asked the Committee how they would like to handle for example a three year contract that has been approved by resolution. He asked if there was a need to review such contracts yearly or if he can just approve payment since it was approved by Resolution. Ms. Wheeler stated she likes to review such contracts annually, although it is a duplication of the process. Ms. Orphal agreed, but noted it could just be a review without the need of another resolution. Chairman Munaretto questioned if it was really necessary to take up time to review each year. Mr. Ryan suggested doing an annual report as a way to review these contracts. Mr. Hammerand asked that the review be at least 2 months prior to the contract renewal date. Ms. Link reminded members that a contract is only enforceable during the existence of the chairman who originally signed the contract. Noting that if Mr. Koehler had not been voted as the Chairman, all contracts would need to be resubmitted. Mr. Labaj suggested reviewing contracts during the budget process. Chairman Munaretto agreed that reviewing contracts on a yearly basis should be done by the Committee and asked staff to figure out a method to provide the Committee with such a report without “re-inventing the wheel.”

Ms. Hill left the meeting at 11:05 am.

Mr. Sarbaugh then summed up the agenda process as discussed. He stated any item that changes a budget will go to the Finance and Audit Committee along with an attached memorandum as will budget line item transfer requests and items that exceed \$20,000. Any annual contract that has been approved by Resolution will be reported annually to the Committee, with no action or supporting resolution necessary.

Finance & Audit's December 23, 2008 meeting: As noted previously, this meeting will be canceled.

OLD BUSINESS: None

REPORTS TO COMMITTEE:

Auditor: Ms. Palmer reported that the Government Finance Officers Association recently awarded the County the Certificate of Achievement for Excellence in Financial Reporting, which is the highest form of recognition in the area of governmental account and financial reporting.

Contingency: Contingency reports were distributed.

EXECUTIVE SESSION: None.

ADJOURNMENT

Noting no further business, Ms. Orphal made a motion, seconded by Mr. Hammerand, to adjourn the meeting at 11:22 a.m. The motion carried with a unanimous voice vote.

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RECOMMENDED FOR BOARD ACTION:

- Resolution authorizing a budget line item transfer in the Workforce Network FY 08 budget
- Resolution authorizing budget line item transfers from the General Fund Non-Departmental FY 08 budget to the State's Attorney's General Fund FY 08 budget
- Resolution authorizing budget line item transfer in the FY 08 budget between General Fund Departments Non-Departmental and Merit Commission
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- Resolution authorizing a Performance Series maintenance support contract with Cogsdale at a cost of \$51,467.00
- Resolution authorizing Workers' Compensation Claim Settlement in the amount of \$4,173.66
- Resolution authorizing a change to the pay-for-performance guidelines
- Resolution authorizing a contract between Techsolve and McHenry County for a workflow process improvement event for the Department of Planning and Development
- Resolution opposing Legislation granting the Governor discretionary authority to hold back funds

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