

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

MINUTES OF TUESDAY, OCTOBER 13, 2009

Committee Chair Marc Munaretto called the meeting to order at 9:30 a.m. The following Committee Members were present: Marc Munaretto; Tina Hill; Lyn Orphal; Scott Breeden; Mary Donner; and John Hammerand. Daniel Ryan arrived at 8:38 am. Also in attendance: John Labaj, Deputy County Administrator; Peter Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator – Finance; Pat McNulty, Health Department; Sandy Lewis, Mental Health Board; Dan Wallis, Court Administration; Angela Wood-Zuzevich, Sheriff's Department; Randy Donley, County Board Member; Pam Palmer, Auditor; interested public; and press.

Marc Munaretto, Chairman	
Scott Breeden	Mary L. Donner
John Hammerand	Tina Hill
Lyn Orphal	Daniel P. Ryan

MINUTES

Ms. Orphal made a motion, seconded by Mr. Breeden, to recommend approval of the minutes of the Finance & Audit Committee meeting on October 6, 2009. The minutes were approved as submitted with a unanimous voice vote of all ayes.

PUBLIC COMMENT: None

PRESENTATION: None

NEW BUSINESS:

Chairman Munaretto reported that the County has engaged the services of Victor J. Narusis – Narusis Associates, LLC to provide underwriting services for the County's Revolving Loan and Micro Loan fund requests.

Revolving Loan Fund request - New Dimension Precision Machining Inc: Mr. Labaj provided an overview to the Revolving Loan Fund request received from New Dimensions Precision Machining, Inc. for \$200,000. He reported that the initial 6 months of payment would be interest only followed by 3 years of fully amortized with an interest rate of 2.83%. The purpose of the loan is to reduce inventory related payables (\$100,000) and to finance new order inventory (\$100,000). The business is a specialized machine shop which currently employs 75 people. The company has incurred a significant reduction in revenues from 2008 to 2009. It has concentrated 60% of its sales in one client and currently has a poorly defined plan for regaining sales. Despite revenue reductions, management elected to continue to purchase raw materials inventory and due to the lack of cash it has stretched payables for these materials. Chairman Munaretto noted that with the absence of any plan to work inventory down or to increase sales or to resolve the current problems to approve such a request is troublesome. Mr. Breeden stated that a \$200,000 loan would not even begin to address the problems. Ms. Hill stated the company had more work to do before such a loan request could be approved. Ms. Donner questioned if the loan was not approved now would there be time to keep this company from going under and saving the current employees. Ms. Orphal questioned why there was a base of only two clients and why a plan was not implemented to address these concerns. Mr. Labaj noted that the firm is trying to re-establish their relationship with Eaton, but to do so will take time. After discussion, Ms. Hill made a motion, seconded by Mr. Ryan, to recommend approval of this loan request. Chairman Munaretto stated that a large concern is the absence of a plan or strategy to resolve the current problems. It was noted that the company is now purchasing inventory on an "as needed" basis and it is revisiting all lost customers and pursuing different markets. Customers are beginning to return. Mr. Donley addressed the Committee and asked if the motion could be tabled until the company comes up with a viable sales plan. The company felt this could be accomplished within the next two weeks. Mr. Ryan made a motion, seconded by Ms. Donner, to table the motion to approve this loan until the Finance and Audit Committee Meeting scheduled for October 27, 2009. The motion carried with all members present voting aye.

Revolving Loan Fund request - Crystal Lake Pontiac GMC: Mr. Labaj provided an overview to the Revolving Loan fund request received from Crystal Lake Pontiac-GMC in the amount of from \$200,000 to \$600,000. Chairman Munaretto reminded members that the Revolving Loan Fund has a loan limit of \$450,000. Mr. Labaj

reported that the business is replacing the Pontiac brand with Buick brands and the dealership will be retained by General Motors. There have been significant reductions in profitability and new car sales along with parts and service revenues. The mortgage holder GMAC seeks to be paid-off and no refinancing source has yet been confirmed. Another issue is that the company has deferred taxes owed to McHenry County in the approximate amount of \$60,000. The applicant is requesting that a portion of the loan be used to pay those taxes. Chairman Munaretto stated that banks require that liens be paid and resolved prior to approving any loan request. He stated it would not be good practice to fund a loan request that is already in the rears on property tax payments. Any loan request should be free of liens. He stated that the Committee would not be taking any action on this loan request today. After discussion, the Committee agreed that the loan could not be used as a source of funds to repay taxes. In addition, the company needs to replace the loan with GMAC prior to further consideration of this request.

Chairman Munaretto stated that the Committee will be considering loan requests for a baseball stadium and a McHenry County Sports Complex on October 27, 2009.

Resolution authorizing acceptance of a child passenger safety grant from the Illinois Department of Transportation in the amount of \$9,300 for the Sheriff's FY 10 budget: Ms. Hill made a motion, seconded by Ms. Orphal, to recommend the County Board approve a Resolution authorizing acceptance of a child passenger safety grant from the Illinois Department of Transportation in the amount of \$9,300 for the Sheriff's FY 10 budget. The motion carried with all members present voting aye on a roll call vote (Hammerand, Hill, Orphal, Breeden, Ryan, Donner and Munaretto).

Resolution authorizing acceptance of a Boost Illinois Child Passenger Safety Grant from the Illinois Department of Transportation in the amount of \$9,070 for the Sheriff's FY 10 budget: Ms. Donner made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing acceptance of a Boost Illinois Child Passenger Safety Grant from the Illinois Department of Transportation in the amount of \$9,070 for the Sheriff's FY 10 budget. The motion carried with all members present voting aye on a roll call vote (Hammerand, Hill, Orphal, Breeden, Ryan, Donner and Munaretto).

Resolution authorizing acceptance of a 2010 Holiday Mobilization Plus Grant from the Illinois Department of Transportation in the amount of \$37,350.18 and an emergency appropriation to the Sheriff's FY 09 budget: Ms. Hill made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution authorizing acceptance of a 2010 Holiday Mobilization Plus Grant from the Illinois Department of Transportation in the amount of \$37,350.18 and an emergency appropriation to the Sheriff's FY 09 budget. The motion carried with all members present voting aye on a roll call vote (Hammerand, Hill, Orphal, Breeden, Ryan, Donner and Munaretto).

Resolution authorizing budget line item transfers in the FY 09 budgets between General Fund Departments - Court Services and Court Administration: Ms. Hill made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution authorizing budget line item transfers in the FY 09 budget between General Fund Departments - Court Services and Court Administration. Mr. Wallis stated that the line item transfers are necessary to provided needed funds for the remainder of FY 09 due to the continued growth in cases and demands on the courts. After discussion a roll call vote was called. The motion carried with all members present voting aye on a roll call vote (Hammerand, Hill, Orphal, Breeden, Ryan, Donner and Munaretto).

Resolution authorizing County financial support of a Breast and Cervical Cancer Program for FY 2010: Ms. Donner made a motion, seconded by Ms. Orphal, to recommend the County Board approve a Resolution authorizing County financial support of a Breast and Cervical Cancer Program for FY 2010, Mr. McNulty reviewed the request noting that the County's costs to conduct this program will be approximately \$158,000 for 2010 as the program continues to grow each year. It was noted that the cost for this program is in the 2010 budget. Members questioned if a lesser amount could be allocated to this program and after discussion agreed to the Resolution as submitted. The motion carried with all members present voting aye on a roll call vote (Hammerand, Hill, Orphal, Breeden, Ryan, Donner and Munaretto).

Resolution authorizing acceptance of a \$75,000 grant from the Illinois Children's Healthcare Foundation to the Health Department Dental Care Clinic Budget: Ms. Hill made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution authorizing acceptance of a \$75,000 grant from the Illinois Children's Healthcare Foundation to the Health Department Dental Care Clinic Budget. This grant is specifically

for children's dental care and will serve approximately 400 children. The motion carried with all members present voting aye on a roll call vote (Hammerand, Hill, Orphal, Breeden, Ryan, Donner and Munaretto).

Resolution authorizing acceptance of a \$351,543 grant from the Illinois Department of Public Health for Public Health Emergency Response to H1N1 and an emergency appropriation to the Health Department's FY 09 budget: Ms. Orphal made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing acceptance of a \$351,543 grant from the Illinois Department of Public Health for Public Health Emergency Response to H1N1 and an emergency appropriation to the Health Department's FY 09 budget. Funds from this grant will be utilized for the planning and dispensing of the H1N1 Flu vaccine. After discussion a roll call vote was called. The motion carried with all members present voting aye on a roll call vote (Hammerand, Hill, Orphal, Breeden, Ryan, Donner and Munaretto).

Resolution authorizing a budget line item transfer in the Road Improvement Project Fund FY 08/09 budget: Ms. Orphal made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution authorizing a budget line item transfer in the Road Improvement Project Fund FY 08/09 budget. This Resolution is required to meet requirements of the Internal Revenue Service under arbitrage rules. The motion carried with all members present voting aye on a roll call vote (Hammerand, Hill, Orphal, Breeden, Ryan, Donner and Munaretto).

FY 09/10 Final Recommended Supplements: The final FY 09/10 recommended supplement requests were reviewed. It was noted that there had been no changes to the recommendations since presentation to the Chairman's Advisory Legislative Forum or to the County Board. Members commented that the list was good as presented.

Ordinance authorizing the Annual appropriations for FY 09-10 budget and Ordinance providing for the levy of taxes for McHenry County for Fiscal Year December 1, 2009 through November 30, 2010: Mr. Austin reported that the FY 09/10 budget as presented is not balanced. All departments have given what they can and have made adjustments to make the budget work. The General Fund as submitted shows a deficit of \$486,529. Mr. Sarbaugh stated that indications are that the County will end in the year in the "black." He stated in order to submit a balanced budget it would be necessary to find funds to address the \$486,529 deficit. He noted that the County could borrow \$500,000 from the General Fund Reserves to supplement this deficit until the year end. He stated that even with that borrowing the Reserves would not be below the five month cash reserves. Chairman Munaretto noted that the County Board Policy requires approval of a balanced budget and asked if members had a problem with allowing Mr. Sarbaugh to borrow funds from the reserves to balance the current budget. Members directed staff to make a bank entry for \$486,000 and to make minor adjustments to the FY 09/10 budget for presentation to the County Board on October 20, 2009. They also agreed that the Committee would not need to meet just before the Board meeting to review the budget prior to the meeting. Chairman Munaretto will meet with Mr. Sarbaugh and Mr. Austin to discuss if a Resolution would be necessary to do the bank entry.

Confirm committee meeting dates/times for 2010: It was noted that the Management Services Committee may make a change in their meeting date and time, therefore the Finance and Audit Committee will revisit this issue once the Management Services Committee has confirmed their meeting times.

OLD BUSINESS: None

REPORTS TO COMMITTEE:

Auditor's Report: Ms. Palmer commented that it is a good idea for her to sit through the meetings as she gains information on various issues and can then report back to her staff. She asked the Committee if they would consider setting a meeting to receive audit updates and reports. Chairman Munaretto responded that he would prefer not to have a special meeting and that these could be handled during the regular business meetings. Ms. Palmer then provided an update to the work her department has been conducting and distributed an Audit Report for Petty Cash. She stated the department has just completed a cell phone audit and the results will be e-mailed to members. She reported that the audit could result in a savings of \$50,000. She will provide more information at the next meeting. Staff is also working on the first report on the American Recovery and Reinvestment Tax Act which is due November 1, 2009. The outside auditors are scheduled to be on-site November 10 and 11. Auditing staff is also working on an imaging of invoices project which will include a training video for managers.

Contingency Reports: Mr. Sarbaugh distributed the General Fund Contingency Statement of Activity Report as of October 13, 2009 and the Sales Tax Analysis which indicated that sales taxes were down approximately one million dollars from last year.

EXECUTIVE SESSION: None.

ADJOURNMENT

Noting no further business, Ms. Donner made a motion, seconded by Mr. Ryan, to adjourn the meeting at 11:28 a.m. The motion carried with a unanimous voice vote.

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RECOMMENDED FOR BOARD ACTION:

- Resolution authorizing acceptance of a child passenger safety grant from the Illinois Department of Transportation in the amount of \$9,300 for the Sheriff's FY 10 budget
- Resolution authorizing acceptance of a Boost Illinois Child Passenger Safety Grant from the Illinois Department of Transportation in the amount of \$9,070 for the Sheriff's FY 10 budget
- Resolution authorizing acceptance of a 2010 Holiday Mobilization Plus Grant from the Illinois Department of Transportation in the amount of \$37,350.18 and an emergency appropriation to the Sheriff's FY 09 budget
- Resolution authorizing budget line item transfers in the FY 09 budget between General Fund Departments - Court Services and Court Administration
- Resolution authorizing County financial support of a Breast and Cervical Cancer Program for FY 2010
- Resolution authorizing acceptance of a \$75,000 grant from the Illinois Children's Healthcare Foundation to the Health Department Dental Care Clinic Budget
- Resolution authorizing acceptance of a \$351,543 grant from the Illinois Department of Public Health for Public Health Emergency Response to H1N1 and an emergency appropriation to the Health Department's FY 09 budget
- Resolution authorizing a budget line item transfer in the Road Improvement Project Fund FY 08/09 budget
- Ordinance authorizing the Annual appropriations for FY 09-10 budget (not in packet)
- Ordinance providing for the levy of taxes for McHenry County for Fiscal Year December 1, 2009 through November 30, 2010 (not in packet)

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