

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

MINUTES OF TUESDAY, OCTOBER 27, 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; John Hammerand; and Daniel Ryan. Also in attendance: John Labaj, Deputy County Administrator; Peter Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator – Finance; Cindy Kozlowski, Financial Analyst; Pam Palmer, Auditor; Bob Ivetic, Human Resources; Julie Courtney, Workforce Network; Sandy Lewis and Jack Wacker, Mental Health Board; Randy Donley, County Board Member; 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. Ryan, to recommend approval of the minutes of the Finance & Audit Committee meeting on October 13, 2009. The minutes were approved as submitted with a unanimous voice vote of all ayes.

PUBLIC COMMENT: None

REPORTS

Chairman Munaretto asked to move the reports from the Economic Development Corporation (EDC) and the Convention & Visitors Bureau up on the agenda so they could be given at this time. Ms. Orphal reported that the EDC is conducting a speed dating event at the Holiday Inn in Crystal Lake today. In addition, the Executive Board met last week and is working toward increasing new donors and retaining those they already have. Staff has decreased from three to two individuals. Work to keep costs down and get the message out continues.

McHenry County Convention & Visitors Bureau (MCCVB): Chairman Munaretto reported that Jaki Berggren was recently hired as the Manager of Group Sales. She is experienced and comes to MCCVB from the Rockford Convention and Visitors Bureau. The 2010 marketing plan was recently approved along with the 2009 audit for the MCCVB. Chairman Munaretto reminded the members that the County's contribution to the MCCVB is matched by a State grant. The MCCVB continues to promote visitation and overnight stays (success comes from putting "heads in beds") within the County

PRESENTATION: *Current financial status of the County:* Mr. Austin provided a brief update to the financial status of the County. He reported that the 2009 budget process was handled by regular communications and meetings with department heads and elected officials. It is anticipated that the same process will be followed for the 2010 budget. He stated that he will continue to provide updates to the Committee at the second meeting of every month. Chairman Munaretto commented that steps were taken during the recent budget process to match declining revenues with expenses and many unessential expenses were stripped away and the process for 2010 may not be as easy. He thanked everyone for their collaborative work efforts on the FY 09/10 budget.

NEW BUSINESS: Chairman Munaretto moved the two loan fund requests up on the agenda so they could be discussed at this time.

McHenry County Loan Fund request from Kiddie Campus Inc.: Mr. Labaj joined the Committee and prior to presenting the loan fund request recently received from Kiddie Campus Inc. located in McHenry Illinois, he provided the background history to the loan fund underwriting process which began 20 years ago and was originally handled by an employee in the Planning and Development Department. The process was eventually taken over by Harris Bank who handled the underwriting for several years. Harris Bank then decided they would like to be a part of the program and to do so could no longer do the underwriting. It was then determined that 90% of the underwriting information could come from the lender with additional underwriting processing being done by the Banking Committee of the McHenry County Economic Development Corporation. This process proved to be difficult and the current underwriting is conducted through professional services which are financed

from the Revolving Loan Fund. Once the underwriting process is completed the information is given to the Finance and Audit Committee for consideration of the loan request. Chairman Munaretto thanked Mr. Labaj for providing this information. Mr. Labaj then presented the loan fund request from Kiddie Campus. The request is for a \$200,000 loan which will be repaid over seven years at a 5% interest rate. The loan is backed by collateral of a life insurance policy. Mr. Labaj stated this is a long-standing business with a strong enrollment. The current owner has a strong accounting background and has been able to develop a successful strategy to market the facility. The facility accepts infants as young as 6 weeks to children up to 12 years of age and is open from 6:30 am until midnight. Approximately 90% of those enrolled get state reimbursement. The enrollment at the facility has continued to increase after a downturn at the beginning of 2009. Ms. Orphal made a motion, seconded by Mr. Breeden to approve the Revolving Loan Fund request of Kiddie Campus in the amount of \$200,000. The motion carried with all members present voting aye on a roll call vote (Breeden, Hill, Donner, Hammerand, Orphal, Ryan and Munaretto).

OLD BUSINESS:

Revolving Loan Fund request - New Dimension Precision Machining Inc.: Mr. Labaj reported that in response to the Committee's request for additional information from New Dimension Precision Machining, Inc. to consider their Revolving Loan fund request, supplemental information has been received. The applicant has provided a letter in response to questions raised by the Committee. They have expanded 2010 sales projections and anticipate an 80% growth from increasing existing clients and the return of former customers. Management has also initiated the sales of excess and unused equipment which should reduce their debts. They are also looking at additional equipment to collateralize the loan request. The firm has a past record of success in their business and working with their bank to reduce the current debt and interest rate. Mr. Labaj stated that the following three conditions should be considered should the Committee move forward and approve this loan request: (1) A new Forbearance Agreement to be executed with Harris Bank and a review of that document by the County's legal counsel; (2) a plan for payment of payments to be submitted and approved by the County. The loan term is to be 3 years with 6 months interest only at a fixed rate of 125 basis points over 3 year U.S. Treasury Notes; and (3) a Debt and Collateral Subordination Agreement successfully negotiated with Harris Bank with the County having a second position on all commercial real estate and equipment. Ms. Donner made a motion, seconded by Mr. Breeden, to approve the Revolving Loan Fund request from New Dimension Precision Machining Inc. subject to the three factors noted above. In response to questions raised, it was noted that a salvage appraisal on equipment was conducted in May of this year and the findings supported the equipment value of \$2,700,000. On a roll call vote, the motion carried with all members present voting aye (Breeden, Hill, Donner, Hammerand, Orphal, Ryan, Hammerand and Munaretto).

NEW BUSINESS (continued)

Resolution authorizing a budget line item transfer in the Workforce Network FY 09 budget: Ms. Hill made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing a budget line item transfer in the Workforce Network FY 09 budget. Ms. Courtney provided an overview to the Resolution. She stated as a result of the Recovery Act funds the Workforce Network was able to provide a summer employment program for youth with a total of 211 youth served during this program. Ten percent went on to be hired permanently. The program involved 118 worksites. McHenry County was able to spend 100% of the obligation by mid September. After discussion, a roll call vote was called. The motion carried with all members present voting aye (Breeden, Hill, Donner, Hammerand, Orphal, Ryan, Hammerand and Munaretto).

Resolution authorizing acceptance of the Illinois Department of Commerce and Economic Opportunity grant #09-641202 and an emergency appropriation to the FY 09 budget: Ms. Orphal made a motion, seconded by Mr. Breeden, to recommend the County Board approve a Resolution authorizing acceptance of the Illinois Department of Commerce and Economic Opportunity grant #09-641202 and an emergency appropriation to the FY 09 budget. After a review of the request, a roll call vote was called. The motion carried with all members present voting aye (Breeden, Hill, Donner, Hammerand, Orphal, Ryan, Hammerand and Munaretto).

Resolution authorizing an emergency appropriation to the McHenry County Mental Health Board FY 09 budget for retirement of debt: Ms. Hill made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution authorizing an emergency appropriation to the McHenry County Mental Health Board FY 09 budget for retirement of debt. This request if approved is to retire the outstanding debt for the current Mental Health Board building located in Crystal Lake. There is no penalty to paying off of this debt. The motion carried

with all members present voting aye (Breden, Hill, Donner, Hammerand, Orphal, Ryan, Hammerand and Munaretto).

Resolution authorizing an emergency appropriation in the Series 2001-A Debt Certificate Fund 2009 budget: Ms. Orphal made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing an emergency appropriation for the 2001-A Debt Certificate Fund 2009 budget. Mr. Sarbaugh reported that the Bank would like the payment on this debt to be received between December 1, 2009 and December 31, 2009. In response, Mr. Sarbaugh stated he has asked the bank to approve paying off this debt on November 30, 2009 so as not to go into the next fiscal year. Chairman Munaretto stated that the dollars have been encumbered and if necessary a budget adjustment to the FY 09/10 budget can be read on the floor. After discussion, a roll call vote was called. The motion carried with all members present voting aye (Breden, Hill, Donner, Hammerand, Orphal, Ryan and Munaretto).

Resolution authorizing approval of compensation for certain elected officials: Ms. Hill made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution authorizing approval of compensation for certain elected officials. Mr. Ivetic reviewed the proposed Resolution, noting that the statutes require setting the compensation for these three elected officials prior to the 2010 elections. The compensation will be set for the years 2011, 2012, 2013 and 2014. Adjustments will be made annually based upon the cost of living as contained in the Consumer Price Index (CPI). The motion carried with all members present voting aye (Breden, Hill, Donner, Hammerand, Orphal, Ryan, Hammerand and Munaretto).

Resolution authorizing the adoption of the salary ranges for FY 09/10: Ms. Donner made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing the adoption of the salary ranges for FY 09/10. Mr. Ivetic explained the Resolution which follows the wage/salary schedule as developed by RSM McGladrey. After discussion, a roll call vote was taken. The motion carried with all members present voting aye (Breden, Hill, Donner, Hammerand, Orphal, Ryan, Hammerand and Munaretto).

Resolution authorizing a change to the Pay-For-Performance Guidelines: Ms. Orphal made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution authorizing a change to the Pay-For-Performance Guidelines. Mr. Ivetic reported that the proposed changes allow for those employees that have reached or exceeded the maximum allowed salary range to be eligible for a cash award of the difference between their actual salary increase and their approved merit increase as approved by the department head in accordance with the merit policy. He noted there are only 4 to 5 employees that are at the top of their range. Members discussed the resolution and questions were raised relative to if the County should even be approving any increases for employees at this time. Chairman Munaretto noted that the County has submitted a balanced budget that would allow for a 2% merit pool. Mr. Austin stated that since June of this year, issues involving non-union employees have been discussed and considered during the budget process. Members also commented on union contracts and questioned why a contract was approved that would allow for almost an 18% increase by 2011. After discussion, a roll call vote was called. The motion carried on a roll call vote of all ayes (Breden, Hill, Donner, Hammerand, Orphal, Ryan, Hammerand and Munaretto).

Resolution establishing the guidelines for FY 10 Pay-For-Performance Adjustments: Ms. Donner made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution establishing the guidelines for FY 10 Pay-For-Performance Adjustments. Mr. Ivetic reviewed the request noting that the FY 2010 budget includes a 2% set aside pool for pay-for-performance adjustment. On a roll call vote, the motion carried with five ayes (Breden, Donner, Orphal, Ryan and Munaretto) and two nays (Hill and Hammerand).

Resolution authorizing approval of the County of McHenry's Property and Casualty Insurance Program for FY 09/10: Mr. Labaj Mr. Labaj informed committee members that overall the insurance program was good. Competitive bids were received for all ten (10) of the needed policies. Mr. Labaj reviewed the 10 policies with committee members. Overall, there was a 3.7% increase to the premiums from the previous year. This was under the amount estimated for the coming year. The increases seen were because of the increase in employees, property and the increase of hours worked at the Dental Clinic. An extensive search was made for alternate coverage. After review, Ms. Donner made a motion, seconded by Mr. Breden, to recommend the County Board approve a Resolution authorizing approval of the County of McHenry's Property and Casualty Insurance Program for FY 09/10. The motion carried on a roll call vote of all ayes (Breden, Hill, Donner, Hammerand, Orphal, Ryan, Hammerand and Munaretto).

REPORTS TO COMMITTEE:

Auditor's Report: Ms. Palmer distributed a Cell Phone Audit Report that was conducted as part of the Auditor's Office continued internal audit responsibilities. She reviewed the objectives and recommendations of the audit. It was recommended that a cell phone policy be developed and implemented to address cell phone usage and monitoring. A study to re-evaluate who should have a cell phone and wjat low-use cell phones should be eliminated. Ms. Palmer stated that the County could see a savings of up to \$50,000 if recommendations were properly implemented and monitored. Members thanked Ms. Palmer for her update. It was suggested that Ms. Palmer presented her findings to the Management Services Committee who could take on the task of implementing a policy for cell phone usage.

Contingency Reports: The General Fund Contingency Account Statement of Activity reported was distributed.

EXECUTIVE SESSION: None.

ADJOURNMENT

Noting no further business, Ms. Orphal made a motion, seconded by Mr. Breeden, to adjourn the meeting at 11:05 a.m.

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RECOMMENDED FOR BOARD ACTION:

- Resolution authorizing a budget line item transfer in the Workforce Network FY 09 budget
- Resolution authorizing acceptance of the Illinois Department of Commerce and Economic Opportunity grant #09-641202 and an emergency appropriation to the FY 09 budget
- Resolution authorizing an emergency appropriation to the McHenry County Mental Health Board FY 09 budget for retirement of debt
- Resolution authorizing an emergency appropriation for the 2001 Debt Certificate Fund
- Resolution authorizing approval of compensation for certain elected officials
- Resolution authorizing the adoption of the salary ranges for FY 09/10
- Resolution authorizing a change to the Pay-For-Performance Guidelines
- Resolution establishing the guidelines for FY 10 Pay-For-Performance Adjustments
- Resolution authorizing approval of the County of McHenry's Property and Casualty Insurance Program for FY 09/10

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