

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

MINUTES OF TUESDAY, MAY 11, 2010

Committee Chair Marc Munaretto called the meeting to order at 9:30 a.m. The following Committee Members were present: Marc Munaretto; John Hammerand; Tina Hill; Lyn Orphal; Scott Breeden; Mary Donner; and Daniel Ryan. Also in attendance: Ralph Sarbaugh, Associate County Administrator-Finance; John Labaj, Deputy County Administrator; Peter Austin, County Administrator; Cindy Kozlowski, Financial Analyst; Pam Palmer and Shannon Teresi, Auditor; Kenneth Koehler, County Board Chairman; Christina Webb, Assistant State's Attorney; Cathy Link, Purchasing; Mark DeVries, McHenry County Division of Transportation; Nicole Gattuso, GIS Director; Sandy Lewis, Mental Health Board; 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 Ms. Donner, to recommend approval of the minutes of the Finance & Audit Committee meeting of April 27, 2010. The minutes were approved as submitted with a unanimous voice vote of all ayes.

PUBLIC COMMENT: None

PRESENTATION: None.

Chairman Munaretto commented that when the Committee addresses item 5.5 (review of amended loan fund application for Hobby Town) he will turn the meeting over to Vice-Chairman Orphal and he will leave the meeting at that point. He also provided a brief update to revisions to the Recovery Zone allocations noting that the County is at no risk in losing any allocated funds at this time. He also reported that a 10 million dollar application has been received to support the construction of a hotel in Crystal Lake.

NEW BUSINESS:

Resolutions authorizing settlement of the following Workers' Compensation Claims: 08-3210-02, 07-3210-09D, and 09-6100-01: Ms. Donner made a motion, seconded by Mr. Breeden, to recommend the County Board approve three Resolutions authorizing settlement of the following Workers' Compensation Claims: 08-3210-02, 07-3210-09D, and 09-6100-01. Mr. Labaj reviewed the three claims and noted that the settlement amount for Claim number 09-6100-01 should be \$20,849.54 as noted in the informational document. After discussion a roll call vote was called. The motion carried with all members present voting aye on a roll call vote (Breeden, Donner, Hammerand, Hill, Orphal, Ryan and Munaretto)

Resolution approving the purchase of maintenance equipment (2 snow plow trucks) and appropriating funds in the sum of \$488,100.00: Mr. Breeden made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution approving the purchase of maintenance equipment (2 snow plow trucks) and appropriating funds in the sum of \$488,100.00. It was noted that typically the lifecycle of these trucks is 15 years. The motion carried with all members present voting aye on a roll call vote (Breeden, Donner, Hammerand, Hill, Ryan, Orphal and Munaretto).

Resolution authorizing the reclassification of positions in the GIS Department: Ms. Hill made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing the reclassification of positions in the GIS Department. Ms. Gattuso reviewed the proposed resolution and reported that two months ago an operations specialist retired. The projects within the department have shifted, making this position a GIS analyst. She stated that the reorganization of the department and the upgrades of two positions from a grade 9E to a Grade 10E and the downgrade of one position from a Grade 10E to a Grade 9N will have no impact to the budget but would provide the knowledge and expertise to complete projects. After discussion, a roll call vote was called. The motion carried with all members present voting aye (Breeden, Donner, Hammerand, Hill, Ryan, Orphal and Munaretto).

Discussion – McHenry County Board's preference to keep its tax dollars at work in McHenry County by choosing independent contracts, local vendors and professional services providers whenever practicable: Chairman Munaretto reported that the "draft" resolution laid on the table is a representation of how he feels and not what can be done to keep the tax dollars in McHenry County. He stated that it is the opinion of the State's Attorney that such a Resolution would create a local bias or preference to local vendors and this may place the County in an indefensible position in litigation. He reported that the Management Services Committee along with the State's Attorney's office and the Purchasing Department are researching other options or avenues that may be pursued. He noted that the Resolution is only a point of discussion and not something to adopt and that currently Illinois Law prohibits preference to vendors. Ms. Webb and Ms. Link joined the Committee to discuss this issue. It was noted that the State of Michigan and State of California have adopted a scoring process and it may be an option to consider. Ms. Link reported that other County Purchasing Directors have expressed the same concerns. In talking with Lake County, she was informed that Lake County recently hosted a vendor outreach meeting with vendors and various county departments attending. The meeting provided a forum to educate vendors on the purchasing process and share information. One hundred vendors were invited, 80 attended this meeting. The Management Services Committee would like to host such an event for McHenry County. Mr. Breeden noted in some areas preference is given to minority businesses and asked if this was done here. Ms. Link responded "no." Chairman Munaretto thought perhaps the current purchasing ordinance could be amended to include a type of scoring criteria. Ms. Webb pointed out that the County could not give preference over one group or another as this is a subject to constitutionality, noting that the State law is very strict on this matter. Chairman Munaretto stated that there is not much flexibility to RFP, but the RFQ side provides more flexibility and perhaps this could be researched further. Ms. Webb stated she would look at the County's current ordinance and also review what surrounding counties have done. Ms. Link added that projects receiving federal funding such as the current energy project must meet the requirement that all goods must be purchased under the "buy American Clause." Mr. Hammerand questioned if this clause is only for the U.S. or if it would include South America. Mr. Ryan stated that a vendor from outside McHenry County had expressed to him that it was not worth the effort to respond to an RFQ as the County would select someone within the County. He stated there is an advantage for a local vendor as there would be a cost savings as the project would be closer to the business. He stated it is important to maintain quality bidders and select the lowest responsible bidder. Ms. Orphal agreed noting although we do not want to discourage bidders the County would like to see local businesses in the process. Chairman Munaretto stated this discussion has raised many good points and it is important that these concerns and thoughts be shared with the business community and suggested Ms. Orphal share these concerns with the Economic Development Corporation (EDC). Mr. Hammerand suggested that the Committee consider a Resolution that would be more of a statement to Springfield to ask their support of legislation that would allow giving preference to local vendors. Chairman Munaretto commented that this is a good point and one that could be considered. He stated just having this dialogue has brought out many good ideas and thanked all for their participation.

Chairman Munaretto announced that the Finance and Audit Committee would meet on Tuesday, May 18, 2010 at 6:15 pm to consider a Resolution relative to Blue Cross/Blue Shield of Illinois. He noted that this item was inadvertently left off today's agenda. Chairman Munaretto left the meeting at 10:03 am. Vice-Chairman Orphal took over the remainder of the meeting.

Review of amended Loan Fund application for Hobby Town: Mr. Labaj joined the Committee to discuss a request from CL Hobby Partners LLC (Hobby Town) to amend their loan fund application. The Committee approved the original project several months ago. At that time the project entailed the acquisition and re-development of an existing building located at 970 Pyott Road in Crystal Lake. However, the zoning variances required for the new use were denied by the City of Crystal Lake. Hobby Town has since selected a new location at 9200 Pyott Road in Lake in the Hills. The project will consist of the acquisition of 1.275 acres and the construction of a new 8,100 square foot building. The building will include retail space and an indoor race track. The total cost of the project remains at \$1,050,000. The site is appropriately zoned and the Village of Lake in the Hills has granted a conditional use permit for this development. Mr. Labaj noted that Hobby Town has signed a 10 year lease with CL Hobby Partners LLC. He reported that Hobby Town has obtained a loan commitment from Crystal Lake Bank & Trust in the amount of \$731,250 representing a 70% loan to value ratio based on the purchase price of \$1,050,000. The loan term is 5 years, renewable every 5 years for a term of 25 years subject to re-pricing. Collateral remains a second mortgage lien against all of the real estate and a personal guarantee from the borrower. Mr. Hammerand questioned if inventory could be tagged on. Mr. Labaj noted perhaps this could be done. Mr. Breeden raised his concerns that the County would be taking a second position on this loan and borrowers are only providing \$25,000 in cash toward this project and questioned

where the cash flow would come from. Mr. Labaj noted that the cash flow analyst from Crystal Lake Bank & Trust indicate a sufficient cash flow to fund the debt. The owners have a good credit history and approval of the loan request is recommended by the bank. Mr. Labaj noted that Chairman Munaretto is acting as broker in this land sale transaction and the State's Attorney's has opined that there would be no conflict of interest with Chairman Munaretto acting as broker as long as he recuses himself from voting. In response to Committee questions, Mr. Labaj reported that the amount remaining the Revolving Loan Fund is \$822,000.00. Ms. Orphal made a motion, seconded by Ms. Donner, to approve the amended loan fund application in the amount of \$293,750 for CL Hobby Partners LLC as submitted. The motion carried with a roll call vote of four ayes (Donner, Ryan, Hill and Orphal) and two nays (Breden and Hammerand).

OLD BUSINESS: None

REPORTS TO COMMITTEE:

Auditor's Report: Ms. Palmer presented part 8, of an 8 part series of what takes place in the Auditor's office. This section provided an overview to ongoing and future planned projects – much like a “to do” list for the office. On-going projects include the vendor maintenance clean-up and data purge along with the continuation of the scanning of performance series. Mr. Hammerand questioned if the Auditor is required to meet state requirements to dispose of records. Ms. Palmer responded ‘yes.’ Ms. Palmer went on to note that the vendor maintenance will be a repeat finding in the Management Letter. She also reported that the office will continue to provide quarterly reports on grant reporting to the Finance and Audit Committee. She also provided an update on future projects that will be addressed by her office. In closing, Ms. Palmer reported that reports on the annual audit will be presented to the Committee at the June 8th meeting. Members thanked Ms. Palmer for her informative eight part series report.

Contingency Reports: Mr. Sarbaugh presented his contingency report statement of activity as of 5/11/2010.

Members also were pleased that the County has achieved an Aaa rating (the highest rating available).

EXECUTIVE SESSION: None

ADJOURNMENT

Noting no further business, Mr. Hammerand made a motion, seconded by Ms. Donner, to adjourn the meeting at 10:42 a.m. The motion carried with a unanimous voice vote.

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RECOMMENDED FOR BOARD ACTION:

Three Resolutions authorizing settlement of the following Workers' Compensation Claims: 08-3210-02, 07-3210-09D, and 09-6100-01

Resolution approving the purchase of maintenance equipment (2 snow plow trucks) and appropriating funds in the sum of \$488,100.00

Resolution authorizing the reclassification of positions in the GIS Department