

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

MINUTES OF TUESDAY, JULY 27, 2010

Chairman Munaretto called the meeting to order at 9:30 a.m. The following Committee members were present: Marc Munaretto, Chairman; Lyn Orphal; John Hammerand; Scott Breeden; Mary Donner; Tina Hill and Daniel Ryan. Also in attendance: Peter Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator-Finance; Cindy Kozlowski, Financial Analyst; John Labaj, Deputy County Administrator; Tom Sullivan; I.T.; Phil Ulmer, Probation and Court Services; Kathleen Bergan-Schmidt, County 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 Mr. Ryan, to recommend approval of the minutes of the Finance & Audit Committee meeting of July 13, 2010. Chairman Munaretto requested the minutes to be corrected as follows: on page 2, with reference to the Resolution Authorizing the Reclassification of the Animal Control Division Manager and Budget Line Item Transfers in the Health Department's Fiscal Year 2009-2010 Budget, the following should be included: "Chairman Munaretto requested the Health Department provide a copy of a cost analysis to Committee members." The minutes were approved as corrected with all members present voting aye on a voice vote.

PUBLIC COMMENT: None.

PRESENTATION: None.

NEW BUSINESS:

Resolution Authorizing the Purchase of Two Vehicles, One for the Intensive Probation Supervision Program and One for the Home Detention Program for the Probation and Court Services Department: Ms. Hill made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution Authorizing the Purchase of Two Vehicles, One for the Intensive Probation Supervision Program and One for the Home Detention Program for the Probation and Court Services Department. Mr. Ulmer joined Committee members and stated that this Resolution is to replace two vehicles in the specialized units of the department. One vehicle is for use by the Home Detention Program and the other is for the Intensive Probation Supervision Unit. The vehicles are purchased from the Probation Fee Account and not from the County General Fund. The replacement vehicles will be placed for auction. After discussion, the motion carried with all members present voting aye on a roll call vote (Orphal, Breeden, Hammerand, Ryan, Hill, Donner and Munaretto.)

Resolution Entering Into an Agreement with Symantec for Software Maintenance and Support: Ms. Orphal made a motion, seconded by Ms. Hill, to recommend the County Board approve a Resolution Entering Into an Agreement with Symantec for Software Maintenance and Support. Ms. Hill informed Committee members that this Resolution was recently reviewed by Management Services. Their Committee members questioned if the County ever audits their contracts to find out their true costs. They questioned what the true hourly rate is that is being charged for the contract. After discussion, the motion carried with all members present voting aye on a roll call vote (Orphal, Breeden, Hammerand, Ryan, Hill, Donner and Munaretto.)

McHenry County Loan Fund Request for Resco Products, Inc.: Chairman Munaretto requested discussion on the Loan Funds. Mr. Labaj stated that they currently have \$184,000 in the Revolving Loan Fund and \$200,000 in the Micro Loan Fund. Discussion continued concerning various companies who have contacted the County and are interested in obtaining loans. Chairman Munaretto stated that approximately six months ago, there were needs for small loans between \$5,000 and \$25,000. Their opinion is that small businesses had a hard time accessing capital from banks. The Committee agreed to establish a Micro Loan Fund and to retain a

balance of \$200,000. They have not loaned any of these funds, or had any interest from the business population concerning the Micro Loan Fund. Committee members questioned whether it makes sense to retain the funds in the Micro Loan Fund. They also questioned if it was necessary to retain a balance in the Micro Loan Fund. Chairman Munaretto stated in the Revolving Loan Fund they look for tighter security. The Micro Loan Fund would allow for start up businesses who have a good business plan, but not the strongest financials, to apply for loans from the Micro Loan Fund. After a lengthy discussion, Ms. Donner made a motion, seconded by Mr. Breeden, to keep the Micro Loan Fund open with a balance of \$50. Mr. Sarbaugh stated since it is not a separate fund, it should be called a Micro Loan Program and not a fund. The motion was amended to call the Micro Loan Fund the Micro Loan Program. After discussion, the motion carried with all members present voting aye on a roll call vote (Orphal, Breeden, Hammerand, Ryan, Hill, Donner and Munaretto.)

Committee members entered into a discussion regarding the McHenry County Loan Fund request for Resco Products, Inc. Based on past financial performance, concern was voiced regarding the ability of the company to repay the loan. They requested \$150,000 from the Revolving Loan Fund to relocate their business to Borden Street in Woodstock, Illinois. The company has generated sufficient cash flow in only one of the last four years to retire the debt contemplated under the loan fund request. Weaknesses are cash flow and the loss of the Franklin Park facilities due to foreclosure. Mr. Labaj had a recent conversation with officials from the City of Woodstock who are in support of the move. The City of Woodstock stated they would fast-track the building approval process. Committee members continued to voice their concerns about lending to this company. Committee members stated they are sympathetic to his situation, but questioned how he could repay the loan. Ms. Hill made a motion, seconded by Mr. Breeden, to recommend approval of the above request as presented. After discussion, the motion failed with all members present voting on a roll call vote as follows: one aye (Hill) and six nays (Orphal, Breeden, Hammerand, Ryan, Donner and Munaretto.)

Mr. Munaretto left Committee at 10:22 a.m. and returned at 10:24 a.m.

McHenry County Loan Fund Request for DuraFlex, Inc.: Committee members received a \$145,000 request from DuraFlex, Inc. to refinance a loan that is currently held by Crystal Lake Bank & Trust Co. This company typically sells bellows and bellow assemblies. They do not do much manufacturing and have to rely on other companies to do the manufacturing. In order to grow their business, they need to get into bellow production themselves. This is an opportunity for the company to grow and there is sufficient cash flow to repay the loan. They have strong accounts, strong management, a strong financial position, stable profits and they continue to attract business. Bank financing rates are higher than what McHenry County offers and they would like to reduce their borrowing costs. After discussion, Ms. Donner made a motion, seconded by Ms. Orphal, to recommend approval of the \$145,000 loan request. The motion carried with all members present voting aye on a roll call vote (Orphal, Breeden, Hammerand, Ryan, Hill, Donner and Munaretto.)

County Finances: Mr. Sarbaugh and Mr. Austin joined Committee members to discuss County finances. Chairman Munaretto stated that there is an erosion in state revenues and that the ball rolls downhill and we are at the bottom of the hill. Also, we have to acknowledge the problem it creates for us, and much of this discussion will be how much it will cost us because of the erosion of revenue. Mr. Sarbaugh requested that we start with stipends. Stipends are dollars that the State sends to the bulk of elected officials for doing the services they are performing. The County does not contribute to stipends other than when the check is written. We do add the employer's portion of IMRF and Social Security. Committee members questioned why we have stipends. Chairman Munaretto stated it is a reward for doing a good job because salaries were so low in the past. The professional associations have negotiated with the General Assembly and this is a way to augment salaries, especially in other parts of the State where salaries are not as high. Mr. Sarbaugh stated that making up the difference for the state's attorney, public defender and supervisor of assessments will cost the County approximately \$176,000 next year. The State sets the salary for the State's Attorney. Mr. Austin stated that he does not feel they will cut the State's Attorney's salary or the Public Defender's salary. This is what the Illinois Department of Revenue is telling counties; this is the amount of money they have. There will be pressure to put these dollars back into the budget and we may realize more money than projected at this point, but we do not

know for sure. This puts \$176,000 more pressure on the general fund. This is an issue with respect to revenue that has an impact on sound budgeting in the future. We are talking about finance, not salaries. The stipend is an agreement between elected officials and the State. Mr. Sarbaugh stated the elected officials, through IMRF, may have the ability to pay the County the difference and pay for their employer and employee contributions so they stay whole with IMRF. The County would not add any dollars to it. Mr. Austin and Mr. Sarbaugh thanked Committee members.

Committee members were informed that foreclosures and Sheriff's sales have increased in the Sheriff's Office. The increased foreclosures may require additional personnel in the future.

OLD BUSINESS: The Village of Wonder Lake's Master Property Owners Association's representatives addressed Committee member to discuss a proposal to extend Recovery Zone Facility Bonds that were awarded to them. Richard Hilton, Dean Krone and Thomas Zanck joined Committee members to inform them that a lawsuit was filed against the Property Owners Association to prevent it from collecting property taxes to pay for its lake dredging project and is an attempt to prevent the bond sale from occurring. It is essential for us to dispose of this lawsuit before moving forward with the bonds. Mr. Krone informed the Committee that it typically takes approximately 60 days to line up borrowers and bond underwriters. The Judge has been asked to expedite the case and a trial has been set for August 17, 2010 with a ruling to follow shortly thereafter. We would anticipate it be no more than 60 days after the Court ruling to finalize the document and close on the sale of the bonds. We are asking today for the Committee to extend our process to October 31, 2010. The consensus of the Committee was to allow the additional time needed for resolution of this process, but the Committee doesn't want to do so until the deadline gets closer. Additional time is needed for the preparation of a Resolution to allow this extension for presentation to this Committee and the full County Board.

Ms. Donner left Committee at 10:57 a.m.

REPORTS TO COMMITTEE:

Auditors Report: None.

Contingency Reports: In packet.

Economic Development Corporation: Ms. Orphal reminded Committee members about the upcoming EDC dinner. They continue to work in a tough economy.

Mr. Austin will address the County Board on Tuesday morning and will provide an update on the recent Imagine McHenry County Strategic Planning meeting.

Committee members were informed that Ms. Palmer met with IT staff to look at the viability of developing internet fiber plans to possibly partner with them.

Convention & Visitors Bureau: Chairman Munaretto informed Committee members that a new board has been seated and officers are in place. They have adopted their 2011 budget with the understanding there will be an impact on tourism dollars based on taxes coming from hotel/motel taxes in the State of Illinois. There appears to be questions on how municipalities use hotel/motel taxes. There are some issues with respect to financing. Committee members will be updated on this issue in the near future.

Chairman Munaretto distributed a copy of *Standard & Poor's* Global Credit Portal, Ratings Direct, dated July 26, 2010, entitled "Top 10 Management Characteristics of Highly Rated Credits in U.S. Public Finance." It was mentioned that this is a playbook for McHenry County.

FUTURE TOPICS: None.

EXECUTIVE SESSION: None

ADJOURNMENT:

Noting no further business, Mr. Hammerand made a motion, seconded by Ms. Orphal, to adjourn the meeting at 10:58 a.m. The motion carried with a unanimous voice vote.

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RECOMMENDED FOR BOARD ACTION:

Resolution Authorizing the Purchase of Two Vehicles, One for the Intensive Probation Supervision Program and One for the Home Detention Program for the Probation and Court Services Department
Resolution Entering Into an Agreement with Symantec for Software Maintenance and Support

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