

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

MINUTES OF TUESDAY, AUGUST 24, 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; and Daniel Ryan. Tina Hill was absent. Also in attendance: Peter Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator-Finance; Cindy Kozlowski, Financial Analyst; John Labaj, Deputy County Administrator; Ken Koehler, County Board Chairman; Ersel Schuster and Kathleen Bergan-Schmidt, County Board; Dan Wallis, Court Administration; Pam Palmer, Shannon Teresi and Jim Bernier, Auditor's Office; William LeFew and Glenda Miller, Treasurer's Office; Bob Ross, Assessor; Kathy Schultz, County Clerk; Tom Annarella, Valley-Hi; Maryanne Wanaski and Sarah Ciampi, CDBG: interested public; and press.

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

MINUTES: Mr. Ryan made a motion, seconded by Mr. Breeden, to recommend approval of the minutes of the Finance and Audit Committee meeting of August 10, 2010. The minutes were approved as submitted with a unanimous voice vote of all ayes.

PUBLIC COMMENT:

Chairman Munaretto asked if anyone wished to speak. He reminded the public that 30 minutes are allowed for public comment during the meeting, and each person making a public comment will be limited to speaking for three minutes.

Kathryn Francis of Huntley, IL stated her concerns regarding the allocation of funds for the McHenry County Sportsplex. She asked the Committee not to recommend extension of the bonds to the County Board at the meeting scheduled for September 7, 2010.

Al Stenstrom of Woodstock, IL expressed his concerns regarding the McHenry County Sportsplex, the EB-5 funding, and the increase in traffic the Sportsplex is expected to generate.

Blake Hobson of the Village of Lakewood, IL spoke concerning the McHenry County Sportsplex. He stated that he was representing the Village of Lakewood and he informed the Committee that the Village strongly stands behind this project. They believe this project will be a showplace for the Village of Lakewood, as well as the County.

Julie Richardson of the Village of Lakewood, IL informed the Committee that she agrees with the statements made by Blake Hobson.

Noting no others wishing to speak, Chairman Munaretto closed public comment.

PRESENTATION:

External Audit Firms: Ms. Palmer, Ms. Teresi, Mr. Bernier and Mr. Sarbaugh joined Committee members and reviewed the steps taken to narrow down the selections for outside auditor services. This is a five-year duration due to the potential cost savings and continuity benefits over the long term, while retaining the right to terminate the subsequent years, subject to satisfactory performance, continuing need, and availability of funds. An RFP was issued on May 24, 2010 with a due date to submit proposals of July 7. In total the County received six proposals from outside audit firms. The evaluation committee conducted interviews with three firms, as well as checked references for audits of similar government organizations. Based on all the information collected, the evaluation committee determined that two firms are the most qualified to meet the needs of the County, those being Baker Tilly Virchow Krause, LLP and Sikich, LLP. Of the two outside audit firms mentioned, the evaluation committee recommends the Finance and Audit Committee select Baker Tilly Virchow Krause, LLP.

After a lengthy discussion regarding the two outside audit firms of choice, Ms. Donner made a motion, seconded by Ms. Orphal, to recommend the County Board approve a Resolution Awarding a Contract for Annual Outside Audit Services to engage Baker Tilly Virchow Krause, LLP to provide outside auditor services for fiscal year 2010. After discussion, the motion carried on a roll call vote of five ayes (Orphal, Breeden, Ryan, Donner and Munaretto) one nay (Hammerand).

NEW BUSINESS:

Mary Donner left the meeting at 10:03 a.m.

Chairman Munaretto requested that 5.3 be reviewed next.

Resolution Authorizing the Replacement of the Pneumatic Delivery System Used at the County Treasurer Facility and a Budget Line Item Transfer in the Treasurer's Automation Fund Fiscal Year 209-2010 Budget: Mr. Ryan made a motion, seconded by Mr. Breeden, to recommend the County Board approve a Resolution Authorizing the Replacement of the Pneumatic Delivery System Used at the County Treasurer Facility and a Budget Line Item Transfer in the Treasurer's Automation Fund Fiscal Year 209-2010 Budget. Mr. LeFew informed Committee members that this is a request to replace the pneumatic delivery system for the drive-up area. It is becoming increasing hard to find replacement parts for the current system. After discussion, the motion carried on a roll call vote of all ayes (Hammerand, Orphal, Breeden, Ryan, and Munaretto).

Mary Donner returned to the meeting at 10:06 a.m.

Chairman Munaretto requested that 5.4, 5.5 and 5.6 be reviewed at the same time.

Resolution Authorizing an Amendment to Resolution #R-201004-12-094 for the Allocation of Recovery Zone Volume Cap for the Equity One Development Corporation Project; Resolution Authorizing an Amendment to Resolution #R-201002-12-048 for the Allocation of Recovery Zone Volume Cap for the Master Property Owners Association Inc. for the Wonder Lake, Illinois Area Project; and Resolution Authorizing an Amendment to Resolution #R-201004-12-093 for the Allocation of Recovery Zone Volume Cap for the McHenry County Sportsplex LLC Project. Mr. Hammerand made a motion, seconded by Mr. Breeden, to recommend the County Board approve a Resolution Authorizing an Amendment to Resolution #R-201004-12-093 for the Allocation of Recovery Zone Volume Cap for the McHenry County Sportsplex LLC Project. Mr. Breeden referred to a letter dated August 18, 2010 concerning the McHenry County Sportsplex project. He asked if the Committee could review, or have the developers come back to this Committee, and keep them informed as to the issues mentioned in the letter, along with the timeframe. Ms. Cho from Stern Brothers & Co. informed Committee members that the County will be involved in the entire process of this development. They will provide the County with updates and their contact person for the County is Mr. Labaj. Tim Stratton will continue to be the bond counsel. Committee members stated that they want to make sure the County has involvement with the submitted timetable. After discussion, the motion carried on a roll call vote of five ayes (Orphal, Breeden, Ryan, Donner and Munaretto) and one nay (Hammerand).

Resolution Authorizing a Budget Line Item Transfer in the Law Library Fiscal Year 2009-2010 Budget: Ms. Donner made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution Authorizing a Budget Line Item Transfer in the Law Library Fiscal Year 2009-2010 Budget. Mr. Wallis joined Committee members and provided them with background information concerning the Law Library expenditures and income as of August 16, 2010. The average monthly income for the Law Library is approximately \$27,000 and the projected year-end fund balance enhancement is almost \$140,000. Mr. Wallis stated that Louise Joseph is the Law Librarian and she has done a fantastic job controlling costs for the Law Library. This Resolution is for replacing the rolling bookshelves in the Law Library with a mechanical assist system that will allow for a drive wheel to be turned which will move the bookshelves manually. After discussion, the motion carried on a roll call vote of all ayes (Hammerand, Orphal, Donner, Breeden, Ryan, and Munaretto).

Review of Illinois Railway Museum's request for County sponsorship for an Application to the Illinois Transportation Enhancement Program. Mr. Hammerand made a motion, seconded by Mr. Ryan, to authorize the County, at the request of the Illinois Railway Museum, to act as the local government sponsor for the purpose of applying for funds available under the Illinois Transportation Enhancement Program (ITEP). After discussion, the motion carried on a roll call vote of all ayes (Hammerand, Orphal, Donner, Breeden, Ryan, and Munaretto).

Mr. Kallis thanked the Committee and said they had 39,000 visitors at the Illinois Railway Museum's recent 2010 Day Out with Thomas the Train.

Mary Donner and Dan Ryan left the meeting at 10:24 a.m.

FY10-11 Budget Reviews (not in packet):

Assessor: Mr. Sarbaugh and Mr. Ross joined the Committee to present the proposed FY 10-11 budget for the Office of Assessments. Mr. Sarbaugh congratulated Mr. Ross on how well he has learned the County's budget process since this is his first year working on the budget. This is a general fund and all revenues and expenditures are handled through the general fund. Mr. Sarbaugh stated that Mr. Ross has maintained a balanced budget and he has done a great job. After discussion, it was the consensus of the Finance and Audit Committee to advance the Assessor's budget forward. A voice vote was taken with all members present voting aye.

County Clerk: Ms. Schultz joined Mr. Sarbaugh to present the proposed FY 10-11 budget for the County Clerk, including Elections. These are general fund budgets. Ms. Schultz reported that she is currently not aware if there will be a February, 2011 election. She will not know until the Cities of Woodstock and Crystal Lake's inform her if they need an election to be held at that time. She stated that the County Clerk's office is reusing the paper products used in the precinct kits, and they assemble their own kits which is a savings of dollars and resources. If there is a February, 2011 election, her office will probably have to purchase new precinct kits for the February and April elections which will cost approximately an additional \$20,000. She received notification from the State Board of Elections that there have been additional budget cuts. They reimburse the County \$45 for each election judge. There will be revenue to reimburse the County for the November election, but there will be no reimbursement funds for the February or April, 2011 elections. There will also be no revenue to reimburse the County for early election judges. It was discussed that there may be townships that may help with reimbursing the County for early election judges. After discussion, it was the consensus of the Finance and Audit Committee to advance the County Clerk's budget forward. A voice vote was taken with all members present voting aye.

Ms. Schultz informed the Committee that with the completion of the 2010 census, McHenry County more than likely will need to have all election materials, including publications and ballots, printed in both English and Spanish. This will create quite an increase in expenses, but it will be a Federal requirement.

Mary Donner left the meeting at 10:37 a.m.

Treasurer: Mr. LeFew joined Mr. Sarbaugh to present the proposed FY 10-11 budget for the Treasurer. Mr. LeFew informed the Committee that his department has a 9% decrease in expenditures from last year. He also mentioned that the 2012 real estate tax bills will more than likely have to be printed in both English and Spanish. The Department of Revenue will make that decision after the completion of the 2012 census. Mr. Sarbaugh stated that their general fund is in balance and this department basically maintains the same fund every year. After discussion, it was the consensus of the Finance and Audit Committee to advance the Treasurer's budget forward. A voice vote was taken with all members present voting aye.

Non-Departmental: This item was deferred to the September 14, 2010 Finance and Audit Committee meeting.

Revolving Loan Fund: Mr. Sarbaugh and Mr. Labaj presented the proposed FY 10-11 budget for the Revolving Loan Fund. Mr. Labaj stated that he will be coming to this Committee in the next month or so to

inform them that this Fund will effectively be spent down. Monthly payments will still be collected. Mr. Sarbaugh stated that this Fund is in balance and expenditures equal revenue. After discussion, it was the consensus of the Finance and Audit Committee to advance the Revolving Loan Fund's budget forward. A voice vote was taken with all members present voting aye.

Auditor's Task Force: Mr. Sarbaugh, Mr. Austin and Ms. Palmer joined Committee members for a discussion concerning a short-term Auditor's Task Force. The 2000 census certified that the County had 264,000 residents. The 2010 census will be certified by March, 2011 and will establish the County's population. If the population for the County is over 275,000, the County Board will have the responsibility on how they want to handle the accounting functions of the County. Currently the Auditor is working as the general accountant for the County. There has been an additional burden placed on this office due to work being performed for grants from ARRA and other grants. The tasks, duties and responsibilities of the Auditor may change. The County has evolved over the last ten years and the County continues to evolve in that regard and statutorily they have an opportunity to look at another component of how the County wants to manage its finances, and how they want to shape it for the future. This task force will explore possibilities for managing future finances of the County, and will report back to the Finance and Audit Committee with their findings.

OLD BUSINESS: None.

REPORTS TO COMMITTEE:

Auditors Report: Ms. Palmer stated that an audit was done on the Department of Planning and Development Neighborhood Stabilization Program (NSP). Ms. Teresi joined Committee members and presented them with a copy of the Audit dated August 24, 2010. Ms. Palmer stated that Ms. Teresi has been a member of the Auditing Department since April, 2010 and she has been working with the Community Development Department to quickly learn HUD regulations as they apply to the NSP. Ms. Teresi was commended on how thorough and extremely well done this audit was. She stated she reviewed HUD's audit procedures and followed their guidelines. She plans on doing a follow-up audit on the NSP audit to ensure the changes have been made. This report is in conjunction with HUD's monitoring review report. She was thanked for her hard work on an audit of this size and complexity.

Contingency Reports: Mr. Sarbaugh reviewed the Contingency Report with Committee members.

Economic Development Corporation: Ms. Orphal mentioned that the recent legislative breakfast went well. During a recent County Board meeting several people mentioned that they would like to know where the County is in comparison to other counties. She stated that they need more information from the EDC. Chairman Munaretto mentioned that the City of Woodstock has increased their membership dues from \$10 to \$15 for the MCEDC.

Convention & Visitors Bureau: Chairman Munaretto mentioned that they are continuing with a marketing program with the Illinois Tourism Bureau for a long-term grant from the State of Illinois. He mentioned that tourism in McHenry County continues to be strong.

Valley Hi Financial Update: Mr. Annarella presented the Financial Report for Valley Hi. Mr. Breeden commended Mr. Annarella on continuing to do a good job in providing information to the County Board concerning Valley Hi noting a decline in revenues due to a physical move of residents who require rehab services. The revenue decline was expected to occur for just one month.

FUTURE TOPICS: None.

EXECUTIVE SESSION: None.

ADJOURNMENT:

Noting no further business, Ms. Orphal made a motion, seconded by Mr. Breeden, to adjourn the meeting at 11:12 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 Law Library Fiscal Year 2009-2010 Budget
Resolution Awarding a Contract for Annual Outside Audit Services by Baker Tilly Virchow Krause, LLP
Resolution Authorizing the Replacement of the Pneumatic Delivery System Used at the County Treasurer Facility and a Budget Line Item Transfer in the Treasurer's Automation Fund Fiscal Year 209-2010 Budget
Resolution Authorizing an Amendment to Resolution #R-201004-12-094 for the Allocation of Recovery Zone Volume Cap for the Equity One Development Corporation Project
Resolution Authorizing an Amendment to Resolution #R-201002-12-048 for the Allocation of Recovery Zone Volume Cap for the Master Property Owners Association Inc. for the Wonder Lake, Illinois Area Project
Resolution Authorizing an Amendment to Resolution #R-201004-12-093 for the Allocation of Recovery Zone Volume Cap for the McHenry County Sportsplex LLC Project

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