

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

MINUTES OF TUESDAY, SEPTEMBER 28, 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 Tina Hill. Daniel Ryan 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; Kathleen Bergan-Schmidt, County Board; Pam Palmer and Shannon Teresi, Auditor's Office; Tom Annarella, Valley-Hi; interested public; and press.

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

MINUTES: Ms. Donner made a motion, seconded by Mr. Breeden, to recommend approval of the minutes of the Finance and Audit Committee meeting of September 14, 2010. Having no conversations concerning the minutes, they were approved as submitted with a unanimous voice vote of all ayes.

PUBLIC COMMENT: None.

PUBLIC HEARING:

*Wonder Lake MPOA Recovery Zone Bond:* Chairman Munaretto called the R2B/Wonder Lake Public Hearing to order and accepted any public comment with respect to this bond. Dick Hilton of Wonder Lake, Illinois, representing the Wonder Lake Master Property Owners' Association, addressed the Committee. He mentioned that a couple County Board members asked him to clarify an issue that was brought up during a County Board meeting concerning the vote by the MPOA wherein there was some feeling that a subdivision's new director was not allowed to vote on March 10 and March 22<sup>nd</sup> when they approved the issuing of the bonds with the Village of Wonder Lake. The new directors were allowed to vote, and did vote, the sentiments of their board and in spite of the efforts by one of them to go negative, the issue still passed and Judge Caldwell did rule that both the March 10<sup>th</sup> and March 22<sup>nd</sup> meeting votes were legitimate and accepted. It was asked that this be reflected in the record. Chairman Munaretto asked if there were any other public comments with respect to the sale of up to \$6 million in recovery zone facility bonds that will be issued on behalf of the Master Property Owners' Association in the name of McHenry County. There was no additional public comment and he closed the public hearing.

Ms. Hill asked if a public hearing is held because this is a government body. Chairman Munaretto stated that all recovery zone bonds will require a public hearing. Attorney Tim Stratton joined the Committee and stated that the hearing is part of federal tax law requirements. When you do recovery zone bonds, or industrial revenue bonds, the federal tax code requires that there be a public hearing where the comments from the public can be taken into consideration prior to issuing the bonds. Ms. Hill asked if there was negative public comment, what would be the Board's role if they wanted to do something about the comments. Mr. Stratton mentioned that the comments would be accepted into the record and at some point down the line, there will be a formal bond resolution and a loan agreement between the County and the borrower, in this case the Master Property Owners' Association, and in that instance, your vote would count. Chairman Munaretto stated that the next step in the process would be an enabling ordinance in the name of McHenry County name by the MPOA to do what otherwise would be forbidden by law. This is the only public hearing. There is pending legislation that could push that date to May, 2011 if it is adopted. We want to push this process along so the MPOA can sell its bonds. Concerning the other bonds, this one is the furthest along. This information is not available yet but the K-9 project, because of the timing issue, is probably not going to pursue the \$11.5 in additional volume cap that they were able to procure. The cost would be insurmountable to the overall project, and they are going to go ahead with the \$3.5 project.

PRESENTATION: None.

NEW BUSINESS:

*Resolution Authorizing Monthly Transactions for the Delinquent Tax Program:* Ms. Orphal made a motion, seconded by Mr. Breeden, to recommend the County Board approve a Resolution Authorizing Monthly Transactions for the Delinquent Tax Program. Chairman Munaretto mentioned that is a regular program to collect delinquent taxes. There are companies and individuals that buy the taxes and the County receives the money. The people who buy them either end up with the property or end up with the property tax dollars, plus some interest. Hearing no further discussion, the motion carried on a roll call vote of all ayes (Breeden, Donner, Hammerand, Orphal, Hill and Munaretto).

Mention was made concerning the senior freeze and the senior exemption. Nobody over 65 should lose their house because they cannot pay their property taxes. There is a senior freeze in Illinois that allows a homeowner to not pay their property taxes until their home is sold, at which time the County would receive its property taxes as priority from the sale of the property.

*Resolution Authorizing the Purchase of a New Security Camera System for Valley Hi Nursing Home:* Ms. Orphal made a motion, seconded by Mr. Breeden, to recommend the County Board approve a Resolution Authorizing the Purchase of a New Security Camera System for Valley Hi Nursing Home. Mr. Annarella joined Committee members and mentioned that the current security system at Valley Hi has cameras in the parking lots, the main entrance, and the loading dock entrance. The system was brought over from the old building and the company that makes the current analog camera system has become obsolete and the cameras cannot be replaced. They would also like to provide additional coverage to include the courtyards and drive-ups for security during late night and early morning hours. Coverage for the courtyards would be for the security of the residents. The proposed system will meet all of their current needs, expand the system, and expand potential needs they may have. It will also allow video access through the internet. He mentioned, for the record, that this is not the lowest bid, but the best bid. This bid has the capabilities to handle current and future needs. Chairman Munaretto mentioned that a County ordinance requires that they take the most responsible bid, which is not always the cheapest bid. Mr. Breeden mentioned that this was discussed at the recent Valley Hi meeting and it was approved by the board. Ms. Donner asked why a new security camera system was not installed in the new building when it was built. It was mentioned that they have evolved a lot since the building was built, and the style of managing Valley Hi has changed a lot. It is their understanding that the Valley Hi Operating Board would be attending an upcoming County Board meeting. The motion carried on a roll call vote of all ayes (Breeden, Donner, Hammerand, Orphal, Hill and Munaretto).

*Resolution Authorizing a Budget Line Item Transfer in the Non-Departmental Fiscal Year 2009-2010 Fiscal Year 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 Non-Departmental Fiscal Year 2009-2010 Fiscal Year Budget. It was stated that they originally approved the five-year desktop lease for \$285,000. There has been additional equipment added to the lease in the amount of \$6,105.79 during the current fiscal year and it has been budgeted. Hearing no further discussion, the motion carried on a roll call vote of all ayes (Breeden, Donner, Hammerand, Orphal, Hill and Munaretto).

*Resolution Authorizing a Contract with CBJ Architects, PC for the Design of a New Courtroom, Judge's Chamber and Holding Cell:* Ms. Hill made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution Authorizing a Contract with CBJ Architects, PC for the Design of a New Courtroom, Judge's Chamber and Holding Cell. Chairman Munaretto mentioned that this is to provide architectural and design services for the new courtroom, Judge's chamber, and holding cell. Ms. Hill mentioned that this was discussed at the Management Services meeting and it is being done in three stages, with the holding cell being the most complicated because of gender and ages. It was mentioned that because the judicial circuit is growing, the number of judges and courtrooms will also grow. It was asked if there is a holding cell for each courtroom. The holding cells are on the criminal side on a secure corridor. People are brought in from the jail and placed in these holding cells before going into a courtroom. It is also used for anyone making threats while

in a courtroom. There is one holding cell for every two courtrooms. A courtroom was added a year ago, and when the second courtroom is added, this holding cell will service those two courtrooms. There will then be three holding cells. It was mentioned that this project needs to be completed by May, 2011 because of the new judge and that \$32,760 is 5% of the entire budget for this project and the money was previously approved. The motion carried on a roll call vote of all ayes (Breedon, Donner, Hammerand, Orphal, Hill and Munaretto).

*FY10-11 Budget Review – Non-Departmental:*

Mr. Sarbaugh mentioned that they do not have the budget to present at this meeting.

Chairman Munaretto asked that Item 5.6 be discussed later in the meeting.

OLD BUSINESS: None.

REPORTS TO COMMITTEE:

*Auditors Report:* Ms. Palmer and Ms. Teresi joined Committee members and Ms. Palmer stated that her two accounts payable staff members have been working with purchasing to get the vendor maintenance list cleaned up. They will be writing a Vendor Maintenance Policy and Procedure. They will also be collecting all of the W-9's to conform with I.R.S. rules. They are starting to work on year-end planning and are working to close the fiscal year. Baker Tilly previously mentioned that they were going to offer webinars for their clients and they have started with their first webinar which is going to be on GASB 51 which is with the fund balances and the recording of those. Several County employees will be attending this webinar and will earn CPE credits. Ms. Palmer mentioned that Ms. Teresi has done a great job on putting together a very formal program to come up with procedures for doing audits. Ms. Teresi distributed a copy of the Countywide Petty Cash Audit Report, along with a pamphlet about frequently asked questions about the Internal Audit Division. This is used as a tool for fieldwork and it explains the audit process and promotes this division. She will be presenting a cell phone audit to this Committee in the future. She reviewed the Petty Cash Audit Report and stated that it was one of two petty cash audits that the Internal Audit Division will be conducting through the year. One audit is for reporting purposes for year-end to confirm authorized amounts and the other audit is conducted randomly during the year. This audit notes 24 separate petty cash and cash drawers for a total of \$11,241. Page 2 of the audit shows the authorized amounts according to departments. A Petty Cash Policy and Procedures was enacted in April, 2006 and she has redistributed a copy of this policy to the department heads and supervisors over the custodians of petty cash drawers. She will make sure they are in compliance with the policy at the end of the year for the petty cash audit. A question was raised concerning the authorized petty cash amounts for Mental Health and the Sheriff's Departments. The Sheriff's custodian informed Ms. Teresi that they will be reducing their prisoner Transport and Training petty cash balance to \$1,000 within the next week. Staff that handled prisoner transports were reimbursed right away for their out-of-pocket expenses, but that policy has changed. Staff will have to turn in the proper paperwork in order to be reimbursed for their expenses. Part of the Mental Health petty cash is used to obtain gift cards that are provided to clients in order to obtain food or clothing. It was questioned as to why the Treasurer's Office has a \$1700 cash drawer. This is a cash drawer, which is different than petty cash, and this is their operating expense drawer. They are going to look into coming up with some cash handling training and a policy concerning same to help departments that have cash. Members asked if they would see a report on an annual basis and asked that another column be added to the Department/Authorized Amount chart which would provide a total amount that is run through each account on an annual basis. Ms. Palmer said that they would do this. She also mentioned that she is very encouraged about the internal audit program, having it formalized and documented. Ms. Teresi is working on the cell phone audit, which is more of a review audit. She believes the Committee will be pleased with the savings that have been generated thus far, and there should be more with the wireless policy that just went through the Management Services Committee where they are looking at charging some employees for the small usage of their phone so they maintain compliance with the I.R.S., or give a stipend to people who use their personal cell phones. They do not have a physical inventory on small tools because they do not have the resources to do it like MCDOT does. MCDOT does keep an inventory and they have a software program for this purpose. We have a fixed asset inventory.

*Contingency Reports:* Ms. Hill asked for an explanation for the entry made in August, 2010 concerning Judge Zopp's Courtroom. Mr. Sarbaugh explained that approximately \$112,000 was set aside for the repair of an elevator in the Courthouse. It was brought forward from last year's contingency. The project came in about \$20,000 less than what was projected, and they came before the Committee and asked if some of that money could be used to repair Judge Zopp's courtroom. There was a security risk because it had a central aisle to the Judge's bench. The benches are being moved and the carpet is being replaced. The legal services on the Contingency Report are related to the special prosecutor.

*Economic Development Corporation:* Ms. Orphal mentioned that they had a meeting this morning. The recent dinner did not have many County Board members in attendance. Only five County Board members attended. The EDC is hoping to see more County Board members attend this because this is one of the annual events held to recognize businesses in the County. Regarding this year's budget, they always receive an annual increase. They have turned down this year's annual increase in an effort to help the County's budget. It is approximately \$4500 that they will not be taking according to their contract. They are preparing to do their annual billing. The annual budget this year is approximately \$158,000, and with the reduction of the annual increase, the budget will be \$153,500. The budget has a 3% built-in escalator every year.

*Convention & Visitors Bureau:* Chairman Munaretto said the state finally paid the remainder of their grant money. Their grant dollars for next year are off slightly, about \$20,000. The hotel/motel taxes are the dollars that generate money for the state. The state then passes those dollars back to each of the convention and visitors bureaus and it provides a primary source of funding. They are researching the possibility of imposing an additional ½ or 1% hotel/motel tax that would be solely used to fund convention and visitors bureaus. Cities receive this money, but counties do not and the allocation of these tax dollars sometimes leaves the CVB wanting. They are pursuing it through the legislative branch of government and working with Mr. Austin and their legislative advisors.

Concerning a legislative agenda, Ms. Hill mentioned that they have received a few letters from municipalities concerning the prevailing wage and they heard that other states opted out of it and they did not know that it was an option. With Representative Tryon, she initiated a research project of the 18 states to find out who did this. A few states have put into their laws that they exempted school construction programs. They did not find that exemption in municipalities. She will begin research on legislation that would exempt all governmental bodies for small projects, that being defined between \$25,000 to \$40,000.

*Valley Hi Financial Update:* Mr. Annarella presented the Financial Report for Valley Hi. They are two months behind on their reporting to this Committee. The revenues have gone up significantly because the census has increased in the Medicare Part A unit. The expenses did increase for July in part due to the increase in the health insurance premium of approximately 7%. Expenses also increased because of the 4<sup>th</sup> of July holiday because they had overtime in the nursing department. Overall, the gap between revenues and expenses continues to decrease. They have identified several areas with staff overtime. They can take full-time nursing positions and break them into part-time positions that will not carry IMRF and insurance, which will help alleviate the pressure they feel on the weekends to staff the facility. They have also found that they will be able to do the same in other departments which will save money across the board. This will not eliminate any employees, or reduce any hours for current staff. This is for attrition. They currently have two full-time nursing positions open. They can split those positions into four part-time positions. They will be presenting resolutions with regard to this. The registry program is working well. A policy was implemented two months ago wherein they must work a minimum number of shifts per month. He was asked to explain the July census figure. The figure of 184 represents the number of bed days. The total number of residents that were there for the month occupied that many days of that census class. The mix is 80/20 and for July, they were only at 79 Medicaid, but they were up on the private pay side. Medicare is still not at 20%, but it is being made up in private pay at this point. Private pay is often patients who have money initially, but when their money runs out, they become Medicaid patients.

Mr. Hammerand left the meeting at 10:30 a.m.

NEW BUSINESS (continued):

*FY11 Budget Development:* Mr. Sarbaugh mentioned that the FY10-11 budget is still short approximately \$1.2 million for the general fund, which was discussed during the recent County Board meeting. They are bringing to this Committee several options and ways of finding \$1.2 million in the budget, along with areas they can look at to reduce costs. The list of additional cost savings suggestions, and percentages used, are just starting points for discussion. Chairman Munaretto stated that the \$1.2 million deficit does not include any increases for non-union personnel and they may choose to approve a pay raise for employees. Part of the reason for today's discussion is to discuss options. There are a number of areas where they make contributions that are part of the County's strategic plan that are important and that provide externalization other than from property taxes. Mr. Sarbaugh mentioned that it will be the decision of this Committee and the County Board as to how and when we move any of these items. The Committee reviewed the 2011 general fund budget additional cost savings suggestions. They also reviewed the current vacant general fund positions. The consensus of the Committee was to reduce expenditures based on the 2011 general fund budget additional cost savings suggestions provided. The second page of the suggested savings would be more difficult because it would involve frozen positions. After a position is frozen for one year, it is normally dropped off the Human Resources roster. We are not doing that in this case. The State Income Tax Analysis was also reviewed. The County still has a five month reserve. Because of the great stewardship from the County Board and Department Heads, historically they have been able to end the year in the black. This year the year-end balance may not be quite as rich as in the past.

Ms. Donner left the meeting at 10:50 a.m.

FUTURE TOPICS: None.

EXECUTIVE SESSION: None.

ADJOURNMENT:

Noting no further business, Ms. Hill made a motion, seconded by Mr. Breeden, to adjourn the meeting at 11:17 a.m. The motion carried with a unanimous voice vote.

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**RECOMMENDED FOR BOARD ACTION:**

- Resolution Authorizing Monthly Transactions for the Delinquent Tax Program
- Resolution Authorizing the Purchase of a New Security Camera System for Valley Hi Nursing Home
- Resolution Authorizing a Budget Line Item Transfer in the Non-Departmental Fiscal Year 2009-2010 Fiscal Year Budget
- Resolution Authorizing a Contract with CBJ Architects, PC for the Design of a New Courtroom, Judge's Chamber and Holding Cell

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