

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

MINUTES OF TUESDAY, OCTOBER 12, 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; John Labaj, Deputy County Administrator; Ken Koehler, County Board Chairman; Kathleen Bergan-Schmidt, Jim Heisler and Ersel Schuster, County Board; Pam Palmer, Auditor; Angela Wood-Zuzevich, Sheriff's Department; Pat McNulty, Health Department; Jane Wacker and Bob Lesser, Mental Health Department; 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. Hammerand, to recommend approval of the minutes of the Finance and Audit Committee meeting of September 28, 2010. Noting no changes to the minutes, they were approved as submitted with a unanimous voice vote of all ayes.

PUBLIC COMMENT: Dick Hilton of Wonder Lake, Illinois, representing the Wonder Lake Master Property Owners' Association (MPOA), addressed the Committee. He mentioned that the paperwork for the recovery zone facility bonds issued on behalf of the MPOA is moving forward, the documents are being processed, and the goal is to have them completed today. They are pushing for the documents to be forwarded to the County as quickly as possible.

PRESENTATION: None.

NEW BUSINESS:

Resolution Authorizing a Garage Lease Agreement between McHenry County and James Bryan, Jr.: Ms. Orphal made a motion, seconded by Mr. Breeden, to recommend the County Board approve the above resolution. Mr. Labaj mentioned that this is a lease for garage space for EMA Communications Vehicle #52. The vehicle is stored in a heated indoor garage by a private individual. This does not have to go out for bid because it is only \$150 per month which is in the EMA budget. The motion carried on a roll call vote of all ayes (Breeden, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing a 2010 Intergovernmental Agreement (IGA) Between Fox Waterway Agency, County of McHenry and McHenry County Sheriff's Department for Marine Patrol Services: Ms. Donner made a motion, seconded by Mr. Breeden, to recommend the County Board approve the above resolution. Ms. Wood-Zuzevich mentioned that there were prior negotiations with the Fox Waterway Agency in hopes of receiving a 5% increase for this year. Those negotiations did not pass through the Waterway Board. All parties have agreed upon a 3% increase for 2010 which reflects a one-time payment from Fox Waterway Agency to the County in the amount of \$35,453. The money will be placed in the general fund. During the negotiation period, the Fox Waterway Agency did not pay the County any money for services. They have started negotiations for next year. They did not change their law enforcement duties for marine patrol services. The motion carried on a roll call vote of all ayes (Breeden, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing the Elimination of an Office Assistant II Position (#061-0007-99) and the Reclassifications of two Part Time Front Desk Associate Positions (#061-0178-09 and #061-0179-09) in the Valley Hi Departmental Roster: Ms. Donner made a motion, seconded by Mr. Breeden, to recommend the County Board approve the above resolution. Mr. Sarbaugh stated that Valley Hi had a full-time front desk

employee accept a different position within the County. In order to have better coverage for the front desk, and save money for the facility, it is suggested that the position be filled by two part-time employees. The full-time position would be eliminated. The hours for the two part-time employees would be increased and the net savings would be \$27,107. Mr. Hammerand mentioned that this resolution was before the Human Resources Committee and was approved. This has also been before the Valley Hi Operating Board and was approved. The motion carried on a roll call vote of all ayes (Breedon, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing the Reclassification of the Business Office Director Position (#061-0002-99) to a Marketing Position in the Valley Hi Nursing Home Departmental Roster: Mr. Breedon made a motion, seconded by Ms. Donner, to recommend the County Board approve the above resolution. Committee members were informed that Valley Hi is requesting this change in order to provide physical therapy information to the Medicare community and to speak about the programs available at the facility. This position will require the employee to have a nursing background, but it will be a marketing position. This matter has gone before the Valley Hi Operating Board and it has also been approved by the Human Resources Committee. Members questioned who would be handling the duties of the former business office director. Mr. Sarbaugh stated that a new person has been hired who is familiar with the billing of Medicaid and Medicare, which is what the previous employee was responsible for. The facility also has two accounting personnel. The motion carried on a roll call vote of all ayes (Breedon, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing Workers' Compensation Claim Settlement No. 07-3210-14: Ms. Orphal made a motion, seconded by Ms. Hill, to recommend the County Board approve the above resolution. Mr. Labaj informed committee members that this claim is for a corrections officer that was injured while trying to open a 100 lb. door with her non-dominant hand and injured her shoulder. An MRI revealed a left shoulder interior labral tear. Surgery was performed on four different occasions to address the injuries. The employee returned to full duty on September 21, 2009. Due to the lengthy absence from work, the employee was required to go through a course of retraining, which the employee had to pass in order to return to the workforce. The settlement equates to 35% of man-as-a-whole. The settlement has been negotiated with the Special Assistant State's Attorney. There has been a training component provided by the Sheriff's Department for employees in order to avoid future injuries of this type. The motion carried on a roll call vote of all ayes (Breedon, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing Acceptance of an IDOT Sustained Traffic Enforcement Program (STEP) Grant Award and an Emergency Appropriation to the Sheriff's FY10 Budget: Ms. Donner made a motion, seconded by Mr. Breedon, to recommend the County Board approve the above resolution. Ms. Wood-Zuzevich stated they are fortunate to be awarded an IDOT STEP Grant. This is a reimbursement grant and there is no local match. It is for DUI enforcement and safety checks. A question was raised as to what "occupant protection mobilizations" were with the answer being seatbelts. The motion carried on a roll call vote of all ayes (Breedon, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing an Emergency Appropriation in the DUI Fund Fiscal Year 2009-2010 Budget: Ms. Donner made a motion, seconded by Mr. Breedon, to recommend the County Board approve the above resolution. Ms. Wood-Zuzevich explained that this is a fund established in 1999 for those arrested and convicted for DUI. An additional fine of \$100 on all DUI cases where the defendant received a judgment of conviction or supervision must pay this fine. The \$100 is placed into a fund to be used to buy law enforcement equipment related to DUI enforcement. They are requesting that \$6,000 from this fund be used to purchase in-car video equipment for six new squad cars purchased this year. They have always been short as to having all of the squad cars equipped with in-car video equipment. She can provide the committee with the figures as to how many squad cars will be without this equipment, but with these funds, they should be very close as to how many squads are equipped. Future \$100 fines for DUI offenses will continue to be placed into this fund and the fund will continue to grow. This fund is allowed to grow before any money is withdrawn. Currently there is a balance of \$48,000 in this fund. The motion carried on a roll call vote of all ayes (Breedon, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing the Creation of a New Coroner's Fund and an Emergency Appropriation to the New Fund in the Fiscal Year 2009-2010 Budget: Mr. Hammerand made a motion, seconded by Mr. Breeden, to recommend the County Board approve the above resolution. The Coroner has a fund with a balance that cannot be spent until there is a budget approved for it. This spring the State of Illinois passed a new bill that allowed the fees that the coroner's offices collect to be placed into a special fund and they may no longer be placed in a general fund. In the past, fees received annually have been approximately \$9,000. With the new increase in fees, the current balance is approximately \$20,000. The new fund written in the statute stated that it can cover cost for equipment for the coroner, along with operating expenses of the office. We negotiated with the Coroner for this year to allow the general fund to have \$9,000 since that is what was budgeted. When they needed new equipment beforehand, the money came from the general fund that was budgeted for this office. The motion carried on a roll call vote of all ayes (Breeden, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing an Amendment to the Capital Asset Policy, Related to the Implementation of GASB Statement 51-Accounting and Financial Reporting for Intangible Assets: Mr. Breeden made a motion, seconded by Ms. Donner, to recommend the County Board approve the above resolution. Ms. Palmer reported that in the early 2000s they prepared their capital asset policy with regard to what changes had to be made with the recognition of infrastructure, right-of-ways and land purchases under GASB No. 34. At that time, there was not specific guidance about other intangible assets such as easements. The guidance for GASB 51 talks about intangible assets, such as easements and internally generated software. The County now needs to adopt and implement this accounting standard during FY10. The Auditor's Office is doing an amendment to the policy at this time as they want to look closely at the entire capital asset policy due to it being written in the early 2000s and needing updating as to forms used. The new standard probably affects the Division of Transportation the most and a meeting has been scheduled to discuss easements and the process to identify them. The criminal justice system, for example, has internally-generated software. There is guidance in the amendment about how long they must amortize this software. In the past, it has been the guidance from the external auditors to look at any software over \$250,000. The capitalization threshold for all intangible assets will be \$50,000. The Auditor's Office spoke with Baker Tilly Virchow Krause and they agreed with this threshold. Ms. Palmer also reported that staff had just participated in a webinar conducted by Baker Tilly Virchow Krause concerning GASB 54 and fund balance reporting. There was also a question asked as to how the cost would be determined on any intangible assets that the County would consider as available for sale. The motion carried on a roll call vote of all ayes (Breeden, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing Budget Line Item Transfers in the Fiscal Year 2009-2010 Budget for the Mental Health Building Expansion Project Fund: Ms. Donner made a motion, seconded by Ms. Orphal, to recommend the County Board approve the above resolution. Ms. Wacker and Mr. Lesser joined committee members and stated that in February, 2010 the County Board approved an ordinance for the expansion and enhancement of the current mental health facility. A project fund was established to track costs and disbursements related to the project. They are requesting the reallocation of the remainder of the partial budget in the amount of \$1,970,187 in order to track and make payments for the addition and improvements to the facility. The money is already allocated as a result of the \$4 million 2010 series bond that was sold last March. Committee members asked for an update of the overall project. Members heard that it went out for bid and many bids were over budget. Mr. Lesser stated that many of the bids did come in at an appropriate level. The total package was far in excess of what they expected. The bids have been reviewed and not every bid had multiple bidders. They have made some adjustments with the architect. They are going out to bid on October 14 with a complete bid package and it is their goal not to have any addendums. Previously there were three addendums. The building design is basically staying the same with some internal enhancements. They were going to have both basements connect and they have decided not to do that in hopes of saving money. It was noted that there is no rush to start construction on this building. They have three years to use the funds that were provided by the bonds that were sold in March. We should be tenacious about getting the best prices. Several committee members agreed with this statement. Ms. Wacker mentioned that this resolution is out of order and it will be going before the Public Health and Human Services Committee tomorrow. Chairman Munaretto mentioned because of the timing of the committee schedules, they have agreed to take this matter in advance of the PH&HS committee. The motion carried on a roll call vote of all ayes (Breeden, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing Budget Line Item Transfers in the Series 2010A Capital Projects Fund Fiscal Year 2009-2010 Budget for the Build-Out of a New Courtroom, Holding Cell and Judge's Chamber: Ms. Hill made a motion, seconded by Ms. Orphal, to recommend the County Board approve the above resolution. Committee members were informed that a corrected Resolution was placed on their desk for their review. The Resolution in the packet referred to the Archive Facility and not the Courtroom Building, which is the correct designation. It was mentioned that this Resolution was discussed by the Management Services Committee wherein they wanted to have a better understanding of how the court schedules the courtrooms. The motion carried on a roll call vote of all ayes (Breedon, Donner, Hammerand, Orphal, Hill and Munaretto).

Resolution Authorizing a Budget Line Item Transfer in the State Criminal Alien Assistance Program (SCAAP) Grant Fiscal Year 2010 Budget: Ms. Donner made a motion, seconded by Mr. Orphal, to recommend the County Board approve the above resolution. Ms. Wood-Zuzevich explained that they received a SCAAP Grant and funds in the amount of \$144,931 and this was placed into capital account 6040. There is currently a balance of \$6,736 in the account. They would like to spend the remainder of the funds on mattresses for the jail. They change out about one-third of the mattresses each year. They are asking that funds be moved from capital to commodities so they can make this purchase. In the past they have put it in as a supplemental because there is no guarantee that they will receive SCAAP grant money each year. 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 the draft budget is almost complete, but nothing will be passed out at this meeting. He is working on reconciling the personnel costs and that is the only item remaining to be completed. He expects to send out the summaries of the budget within the next few days, along with the Ordinances. He has asked the Chairman of this committee to hold a special meeting on Tuesday, October 19, 2010 prior to the County Board meeting. Chairman Munaretto informed committee members that they would like to schedule this special meeting for 6:00 p.m. on October 19, 2010. Hearing no objections from the members present, a special meeting will be scheduled for this date and time. He stated that this piece of business will be discussed at the special F&A meeting.

Ms. Donner mentioned that she inquired, at the most recent County Board meeting, if there were any changes to the proposed budget. At the F&A meeting held two weeks ago, a report showed the local match for the breast/cervical cancer grant was \$79,000 and it has since increased to \$113,000. She believes that this amount is the amount spent in one year from the portion of the grant. Out of \$158,000 that we appropriated, they use approximately \$79,000 to \$80,000. If they received \$86,000, she does not understand why they cannot use some of the money. Mr. McNulty stated that in 2009 they spent \$127,000, not \$86,000. With a reduction, it would still allow them to maintain their personnel. This is funding that they spend after they spend all of the state funding. Every year they are not sure what they will receive from the state. This grant was received at the last moment and it is a little less than the previous year. The state gave them additional funding, but they also increased their case load. Last year they received over \$500,000 for the program. Last year the case count was 800 and this year the state proposes they handle 875 cases.

Ms. Orphal stated that questions have been brought up concerning MCCVB and MCEDC. She would like Board members to understand where McHenry County falls, compared with other counties, concerning what they are providing MCECD compared to other surrounding counties, based on population. She is against any budget cuts for outside expenditures. Chairman Munaretto mentioned that members talk about the amount of money contracted with the MCEDC for services on behalf of the County, but they compare those dollars to the hard-dollar budget, and they never add back in the component of the volunteer costs. Ms. Orphal stated that unless the other components of programs are understood by Board members, it is easy to cut something if you do not know what is involved. She is speaking from a standpoint of being a member of the board of MCEDC. She is totally against that type of budget cutting. There were five Board members at the recent MCEDC dinner. Chairman Munaretto mentioned that he feels the County Board should be challenged to have a conversation about all of its external programs and its willingness to participate in them, not just financially, but at all levels as a County Board.

Jim Thorpe, Chairman of the MCEDC, joined the committee and said that he has never thought of the County Board as being external to their organization. The Board is a part of the MCEDC and they have management capabilities within the organization. They do receive contributions from private industries and strong businesses in the community. They appreciate the investments the County makes in the MCEDC.

Mr. Hammerand mentioned that they have talked about the MCEDC and other groups and he believes the economic climate of the County is controlled and a lot has to do with taxes and regulations placed on businesses. Our County's tax rates are high compared to other counties. He feels that they have not seriously looked at the taxes and regulations that are facing the businesses in the County. This is the 7th richest county in the state. If we are having problems, the rest of the counties are having problems also. Mr. Breeden agreed with Mr. Hammerand. These are issues that have to be addressed, but he does not feel that the 24 County Board members have the expertise to make the proper decisions pursuant to many problems. He believes the MCEDC is a tremendous resource in providing resources and directions with regard to solving problems. Chairman Munaretto mentioned that at the County Board meeting last week, there was a lot of conversation about the MCEDC being a private 501(c)(3) which is not accurate. The MCEDC was organized as a 501(c)(6). The difference between the two is a not-for-profit is not permitted to engage in lobbying, wherein a 501(c)(6) is permitted to engage in lobbying. The MCEDC was always intended to be the voice of the business community.

Mr. Austin mentioned that he appreciates the committee's flexibility and their ability to have a special meeting at 6:00 p.m. on October 19, 2010. Chairman Munaretto stated that the following items will be discussed at the special meeting, those being the FY10-11 non-departmental budget review, the Ordinance Authorizing the Annual Appropriations for FY10-11 Budget, and the Ordinance Providing for the Levy of Taxes for McHenry County for Fiscal Year December 1, 2010 through November 30, 2011.

Kathleen Bergan-Schmidt joined committee members and voiced her concern about the timeliness as to when Board members would be receiving information concerning recommendations for personnel. She questioned whether there will be a recommendation for any raises for non-union personnel or not. Chairman Munaretto understood, after last Tuesday's County Board meeting, that there are no dollars available for raises for the non-union personnel in McHenry County. There does not appear to be a consensus of the County Board to change that and there is no proposal before the F&A committee to add those dollars back in the budget and as of today. Mr. Hammerand mentioned that any proposal to change this would come from the County Board.

OLD BUSINESS: None.

REPORTS TO COMMITTEE:

Auditors Report: Ms. Palmer reported that her office was going to present the Cell Phone Audit Review at this meeting, but it will be presented at the next meeting because many of her staff members have been out of the office due to influenza.

Contingency Reports: There is a balance in the contingency fund of approximately \$400,000 with approximately six weeks remaining in the fiscal year. There are plans to utilize some of the money in current demands for expenditures in FY2010.

FUTURE TOPICS: None.

EXECUTIVE SESSION: None.

ADJOURNMENT:

Noting no further business, Mr. Hammerand made a motion, seconded by Mr. Breeden, to adjourn the meeting at 10:50 a.m. The motion carried with a unanimous voice vote.

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RECOMMENDED FOR BOARD ACTION:

- Resolution Authorizing a Garage Lease Agreement between McHenry County and James Bryan, Jr.
- Resolution Authorizing a 2010 Intergovernmental Agreement (IGA) Between Fox Waterway Agency, County of McHenry and McHenry County Sheriff's Department for Marine Patrol Services
- Resolution Authorizing the Elimination of an Office Assistant II Position (#061-0007-99) and the Reclassifications of two Part Time Front Desk Associate Positions (#061-0178-09 and #061-0179-09) in the Valley Hi Departmental Roster
- Resolution Authorizing the Reclassification of the Business Office Director Position (#061-0002-99) to a Marketing Position in the Valley Hi Nursing Home Departmental Roster
- Resolution Authorizing Workers' Compensation Claim Settlement No. 07-3210-14
- Resolution Authorizing Acceptance of an IDOT Sustained Traffic Enforcement Program (STEP) Grant Award and an Emergency Appropriation to the Sheriff's FY10 Budget
- Resolution Authorizing an Emergency Appropriation in the DUI Fund Fiscal Year 2009-2010 Budget
- Resolution Authorizing the Creation of a New Coroner's Fund and an Emergency Appropriation to the New Fund in the Fiscal Year 2009-2010 Budget
- Resolution Authorizing an Amendment to the Capital Asset Policy, Related to the Implementation of GASB Statement 51-Accounting and Financial Reporting for Intangible Assets
- Resolution Authorizing Budget Line Item Transfers in the Fiscal Year 2009-2010 Budget for the Mental Health Building Expansion Project Fund
- Resolution Authorizing Budget Line Item Transfers in the Series 2010A Capital Projects Fund Fiscal Year 2009-2010 Budget for the Build-Out of a New Courtroom, Holding Cell and Judge's Chamber
- Resolution Authorizing a Budget Line Item Transfer in the State Criminal Alien Assistance Program (SCAAP) Grant Fiscal Year 2010 Budget

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