

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

MINUTES OF TUESDAY, NOVEMBER 9, 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; Mary Donner; Dan Ryan and Tina Hill. Scott Breeden was absent. Also in attendance: Peter Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator-Finance; John Labaj, Deputy County Administrator; Joe Korpalski and Mark Dammyer, Department of Transportation; Gerri Sherman, Workforce Network; Pam Palmer, Auditor; Tom Sullivan, I.T.; Jane Wacker, Mental Health Board; Fran Stanwood, Health Department; Angela Wood-Zuzevich, Sheriff's Department; Jim Heisler, Ersel Schuster and 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: Mr. Ryan made a motion, seconded by Ms. Orphal, to recommend approval of the minutes of the Finance and Audit Committee meeting of October 26, 2010. The minutes were approved as submitted with a unanimous voice vote of all ayes.

PUBLIC COMMENT: None.

PRESENTATION: None

NEW BUSINESS:

Resolution Authorizing the Approval of the County of McHenry's Casualty and Property Insurance Program for FY2010-2011: Ms. Orphal made a motion, seconded by Ms. Donner, to recommend the County Board approve the above resolution. Mr. Labaj reported that Market Financial Group obtained quotes from insurance carriers for the County's 12 separate insurance policies. Eight of the policies have come in at no increase over this year; there has been a slight decrease in the dental insurance quote, but we have had a major decrease in the insurance quote for Valley Hi. Concerning Valley Hi, GuideOne, a mid-sized insurance company in Iowa that specializes in churches and religious institutions, senior living facilities, and home health care agencies, provided a quote of \$105,705. This is a \$64,767 reduction in the current policy premium of \$170,000 with CNA. Rating and policy coverage areas are the same as CNA. CNA is still interested in our account and they reduced their premium from \$170,000 to \$120,000. Chairman Munaretto mentioned that he would not like to see the County end the long-standing relationship it has had with CNA by trying to save a few dollars and then have to go back in the marketplace. Mr. Labaj noted that CNA is still interested in our account and that remains an option for the 2012 renewal. He stated that the County would be the first governmental agency GuideOne would be insuring. Market Financial has contacted other businesses who have GuideOne Insurance and they have reported positive experiences with the company. He mentioned that all of the County's buildings and contents were recently appraised and the appraisal was \$20 million more than an appraisal completed four years ago. The increase is mainly due to the increase in the County's holdings. \$936,000 was budgeted for insurance and the final price will be \$876,000, most of which is reflective because of the insurance for Valley Hi. Insurance premiums are paid from the insurance liability fund, not the general fund. The net value of the County's insured assets is \$234 million. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Chairman Munaretto requested that 5.7 and 5.9 be reviewed prior to the other items listed on the agenda.

Resolution Accepting Returned Recovery Zone Volume Cap Authority from the Master Property Owners Association Inc for the Wonder Lake, Illinois Area for the Purpose of the American Recovery and Reinvestment Tax Act of 2009: Ms. Hill made a motion, seconded by Ms. Orphal, to recommend the County Board approve the above resolution. Wonder Lake has determined that they can only use \$3.8 million of the volume cap that the County originally assigned to them, and they have returned the balance of the volume cap which gives the County

authority to reallocate the money to another company. The other company is Sage Products and this Resolution would allocate the volume cap to the project that Sage is now embarking on. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Resolution Allocating Recovery Zone Volume Cap and Approving a Project for Sage Products Inc. for the Purposes of the American Recovery and Reinvestment Tax Act of 2009: Ms. Donner made a motion, seconded by Ms. Orphal, to recommend the County Board approve the above resolution. The County Board is being asked to approve the projects submitted by Sage Products and designate \$5,687,050 of recovery zone allocation towards these projects. This represents the balance of the original \$27.5 million that the County received under The American Recovery and Reinvestment Tax Act. With this action, the County will have successfully allocated the entire \$27.5 million to McHenry County projects. Representatives from MB Financial Bank and Richard Naponelli, Chief Financial Officer of Sage Products, joined the committee. Mr. Naponelli mentioned that they currently have a 360,000 sq. ft. facility in Cary that was built ten years ago. They want to add an additional 170,000 sq. ft. multi-purpose facility to the back of their existing location. It will include their finished goods distribution, raw material storage, and expansion of their manufacturing area for their wet-pack lines. This will provide them an opportunity to continue their growth and employment in this community. There was a meeting with the Executive Group of Sage Products and they are excited about the project possibly being financed through the County. Mr. Naponelli was thanked for Sage Products being great corporate citizens. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Resolution Authorizing a One Year Extension for the Temporary CALEA Manager Position within the Sheriff's Office Roster for FY2011: Ms. Donner made a motion, seconded by Mr. Ryan, to recommend the County Board approve the above resolution. This is continued progress for accreditation of the Sheriff's Department and the jail. Ms. Wood-Zuzevich mentioned that the Sheriff is requesting the temporary CALEA Manager position be extended for one year as a temporary position. The CALEA Manager was a police officer and was a CALEA manager at her last position in Western Springs. The dollars have been assigned in the 2011 budget and there will not be any modification to the budget programs or policies that have been implemented. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Resolution Authorizing the Acceptance of the Illinois Department of Commerce and Economic Opportunity Grant #08-736002 and a Budget Adjustment to the McHenry County Workforce Network Fiscal Year 2011 Draft Budget: Ms. Hill made a motion, seconded by Ms. Orphal, to recommend the County Board approve the above resolution. Gerri Sherman spoke on behalf of Julie Courtney. They received \$97,307 additional funds for ARRA to be used to serve dislocated workers from McHenry County. They received the funds because they expended 80% of all of their PY09 funds. All of the funds will be used for training. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Resolution Approving a Construction Engineering Services Agreement and Appropriating Funds for the James R. Rakow Road Project: Mr. Ryan made a motion, seconded by Ms. Donner, to recommend the County Board approve the above resolution. Mr. Korpalski and Mr. Dammyer joined committee members and mentioned that this is the single largest project undertaken in DOT's history. This is the same firm that provided their Phase III services for Algonquin Road. As part of their process, they forwarded it to the Illinois Department of Transportation for review. The fee is in line with the Algonquin Road project for what the construction dollars are. The funding for this project is coming from the sales tax fund. From the RTA sales tax funding, they anticipate to receive approximately \$8.5 million for the fiscal year. The engineer estimates for this project were \$32.5 million and the bids came in at \$26.9 million. These are the initial bid results and this is a joint venture between Curran Construction and Plote Construction. This takes pressure off of the five-year highway improvement plan because those are dollars that were allocated in the plan for this project that may be reallocated to other projects. This project has \$11 million in Federal funding through the efforts of many people securing funding on behalf of DOT. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Resolution Authorizing the Acceptance of \$5,457 in Grant Funding from the Illinois Department of Transportation and to Adjust the Draft Health Department FY11 Budget: Ms. Donner made a motion, seconded by Ms. Orphal, to recommend the County Board approve the above resolution. Ms. Stanwood, Director of Nursing for the McHenry

County Department of Health, joined committee members and mentioned that this resolution is to supply child passenger seats to their clinic population. It is a grant intended to purchase 135 child car seats. Most of the grant money will go towards purchasing the car seats, and the training and certification of staff to place the car seats in vehicles. Everyone needs to have an installed car seat for infants before they are discharged from the hospital. With their WIC program, they make sure the mothers have an infant car seat installed before they go to the hospital. They also make sure other mothers have car seats for their infants. A question was raised as to the amount of \$780 allocated for storage rent. If the County has storage space available to store the car seats, committee members suggested that the \$780 be used towards the purchase of additional car seats instead of paying for storage. Administration will research possible locations for the storage of the car seats. Mr. Hammerand requested that the word "Suggested" be placed before the word "Expenditures" on the proposed Resolution. Committee members agreed to this request. Ms. Stanwood will revise the Resolution to reflect this change before it is presented to the County Board. There is no required match for this grant. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Resolution Authorizing Monthly Transactions for the Delinquent Tax Program: Mr. Ryan made a motion, seconded by Ms. Donner, to recommend the County Board approve the above resolution. Chairman Munaretto stated that these are additional delinquent property taxes that the County sells. Mr. Hammerand mentioned that there is a book located in the Treasurer's Office that lists properties available for sale for a set price. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Resolution Authorizing a Three Year Microsoft Enterprise Agreement: Ms. Hill made a motion, seconded by Ms. Orphal, to recommend the County Board approve the above resolution. Mr. Sullivan mentioned that the County has operated under some type of Microsoft agreement since 2001 and 2002. The last three years we have operated under the Enterprise Agreement with Microsoft. The County currently licenses about 1200 desktops. This is the backbone of the organization and this is the payment to keep the licenses valid. This is a three year agreement for a total of \$270,000. The County currently owns the licenses it has, otherwise we would have to buy the license outright which would cost more money. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Resolution Authorizing a Budget Line Item Transfer from the General Fund Non-Departmental FY2010 Budget to the State's Attorney's General Fund FY2010 Budget: Ms. Donner made a motion, seconded by Mr. Ryan, to recommend the County Board approve the above resolution. Mr. Sarbaugh mentioned that when the budget is put together every year, departments are asked not to budget for worst case scenarios. Some of the line items are difficult to budget because we do not know what is going to happen in the future, and the State's Attorney is a budget where they do not know how many cases they are going to hear, or how many expert witnesses will be required. At this point, they have exceeded their expert witness budget line item. They are aware that there will possibly be up to nine new cases starting through the court system. Some of the cases are going to require expert witness fees and some of the fees will be paid upfront for case research. Their contractual budget has reached a point where it can no longer cover their anticipated liability. This is the 2010 portion of the costs anticipated from now until November 30. Any funds not expended will be rolled over into the fund balance. The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, Ryan and Munaretto).

Resolution Authorizing the Renewal of the Automatic Data Processing Contract and the Implementation of Enterprise E-Time: Ms. Orphal made a motion, seconded by Ms. Hill, to recommend the County Board approve the above resolution. Mr. Sarbaugh stated that in 1999 the County outsourced its payroll processing and ADP was the lowest responsible bidder. ADP has done a fine job in providing the County with its payroll service. In 2006 the County Board approved going with their HR Enterprise System which brought a human resource functionality to the payroll, instead of tracking it separately. The County is currently using ADP's oldest version of time collection and it is a version they no longer support. IT, Human Resources and Administration have met several times with ADP and it is requested the County move to their Enterprise E-Time system at a cost of \$63,858 annually. A major advantage of the new system is that it will be web based and it is in real time. Currently some departments do not use any timekeeping system. The County's contract with ADP for all of its services expired in December and we have been working with ADP to obtain a solid contract. With this contract, if approved before December, ADP will give the County two free months of processing time for E-Time which is approximately

\$8,000, and they will hold our price that we are currently at steady for the first year of the contract. This is a five-year contract and is based on funding availability so if there are not enough funds, the County will be able to cancel within 60 days. It was suggested that two or three basic payrolls be established for the organization. The Sheriff's Department and Valley Hi will be the exception because of those employees working cross-shifts. This system has been presented to Mental Health and it is an option for them. This is based on 1400 employees and our payroll currently runs between 1,350 to 1,406 employees.

Mr. Ryan left the meeting at 10:25 a.m.

The motion carried on a roll call vote of all ayes (Donner, Hammerand, Hill, Orphal, and Munaretto).

Mr. Ryan returned to the meeting at 10:28 a.m.

Consideration of FY10/11 Budget Adjustments: Chairman Munaretto mentioned that there is some interest and strong feelings among a number of County Board members to restore the money removed from the budget for the Soil and Water Conservation District. There have also been strong feelings and conversations among County Board members concerning the contribution McHenry County provides to the U of I Extension. His recommendation is to wait until February or March, 2011 when they have a better idea as to what will be going on with the U of I Extension. Chairman Munaretto stated that it is very difficult for him to reconcile what would happen to the money if they restored the funds back into the budget, and who would actually be the benefactor of the additional dollars. He proposes that the \$11,200 that was removed from the Soil and Water Conservation District be restored to the FY2011 fiscal year budget, but that they do not restore the dollars in the U of I Extension reduced budget, but rather make a commitment to review that program sometime in February or March, 2011. Mr. Hammerand would like to see the Extension Service contribution restored and they have established that any money McHenry County provides the Extension Service will actually serve McHenry County and the money will not be moved to Lake County. He has been contacted by other County Board members outside of this committee and has been asked to bring this to the attention of this committee. Ms. Donner mentioned that she has been a proponent of leaving the budget the way it currently is for the Extension Service and review the matter in February, 2011. She has since reconsidered this matter, and she would like to have the dollars restored to this program. The amount cut is \$19,600. Ms. Orphal questioned if some of the services offered through the U of I are duplicated by other outside agencies. Ms. Bergan-Schmidt mentioned that her observation was to reassess the Extension Service in February or March and see what the State funding will be. Chairman Munaretto stated that he wanted to wait until February or March to see what the Extension Service was going to do. Mr. Austin mentioned that the Lake County Soil and Water District may close their operation entirely and the McHenry County Soil and Water District may be contracted to do work in Lake County. This may be a financial solution for the McHenry County Soil and Water District and possibly allow them enough money to operate. Chairman Munaretto received consensus from committee members to restore both budget items to the FY2011 proposed budget. Staff was instructed to restore these two items back into the budget.

Mr. Sarbaugh informed the committee that the County's Social Security and IMRF funds are starting to get low. It will be an issue they will be addressing when they do the FY2012 budget because these are two funds the County has to fund. The County tries to keep a five month reserve in all County funds to the extent they are able to. Ms. Donner thanked Mr. Sarbaugh for the work he has accomplished pertaining to the County's budget. Chairman Munaretto stated that with the changes they spoke about today, he will be reading from the County Board floor the adjustments to the budget that have been put on display.

OLD BUSINESS: None.

REPORTS TO COMMITTEE:

Auditors Report: Ms. Palmer stated that the 2010 audit has commenced. Baker Tilly Virchow Krause will be here on November 15 and 16. Her office has been preparing schedules and they have reviewed the internal controls for major processes and that has been documented. She will not be at the next Finance and Audit Committee meeting because she will be at a conference. She has been working on a project with the Purchasing Department where she went through all departments and looked at their expenditures for 2008, 2009 and 2010 and gave the

report to Cathy Link. She will review the report and they will try to have all departments adhere to the Purchasing Ordinance and use purchase orders when necessary. They are trying to tighten up the purchasing system.

Contingency Reports: Provided in the packet.

Revolving Loan Fund Update: Chairman Munaretto mentioned that a business has approached the revolving loan fund for a loan of approximately \$82,000. This is an unusual request because the company is a public accounting firm that is relocating into leased space and they want to borrow the money from the County for leasehold improvements. \$40,000 for office furniture is included in the \$82,000 loan request. Leasehold improvements are typically a fixture. If the tenant were to default or leave prior to the end of the lease, leasehold improvements become the property of the landlord. He is personally uncomfortable proposing to fund furniture which has a very low market value from a security standpoint. Both Mr. Labaj and Chairman Munaretto wanted to bring the idea of leasehold improvements and furniture to the committee for their opinions. The revolving loan fund currently has approximately \$306,000. The County recently approved a \$200,000 loan which reduces the current revolving loan fund balance to \$106,000.

FUTURE TOPICS: None.

EXECUTIVE SESSION: None.

ADJOURNMENT:

Noting no further business, Ms. Donner made a motion, seconded by Mr. Hammerand, to adjourn the meeting at 10:49 a.m. The motion carried with a unanimous voice vote.

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RECOMMENDED FOR BOARD ACTION:

Resolution Authorizing the Approval of the County of McHenry's Casualty and Property Insurance Program for FY2010-2011

Resolution Authorizing a One Year Extension for the Temporary CALEA Manager Position within the Sheriff's Office Roster for FY2011

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