

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

MINUTES OF TUESDAY, APRIL 26, 2011

Chairman Breeden called the meeting to order at 9:30 a.m. The following Committee members were present: Scott Breeden, Chairman; Jim Heisler; John Hammerand and Bob Bless. Tina Hill, Mary Donner and Mary McCann were absent. Also in attendance: Peter Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator-Finance; John Labaj, Deputy County Administrator; Shannon Teresi, Auditor; Pat McNulty, Health Department; Julie Courtney, Workforce Network; Dennis Sandquist, Planning and Development; Kathie Schultz, County Clerk; Bob Ross, Chief Assessment Officer; and Cindy Kozlowski, Financial Analyst.

Scott Breeden, Chairman	
Bob Bless	Mary L. Donner
John Hammerand	James Heisler
Tina Hill	Mary McCann

MINUTES

Committee members reviewed the committee minutes of April 7, 2011, April 12, 2011 and the Joint meeting with Human Resources of April 12, 2011. Mr. Heisler made a motion, seconded by Mr. Bless to recommend approval of the above minutes as presented. The motion carried with all members present voting aye on a voice vote.

PUBLIC COMMENT

None.

PRESENTATION

Mr. Bob Ross, the McHenry County Chief Assessment Officer joined committee members to provide an update on the completed 2010 assessment roll. Mr. Ross stated that the County processed an all time high of 17,140 instruments. 5,885 were taxpayer-generated assessments appeals. Mr. Ross led a discussion on the uniqueness of the property assessments of 2010. McHenry County has seen declining home values and as a result of that the County will have a State multiplier. Mr. Ross explained why this happened and how the multiplier works. The Committee agreed that the topic is very difficult to understand. It was suggested that a simple one page information sheet be created to refer those residents to who may have additional questions on this issue. Committee members thanked Mr. Ross for this information. They were informed that this week is Mr. Ross's first anniversary with the County. Mr. Austin applauded the steps Mr. Ross took to address the high volume of appeals during the worst housing crisis the Country has seen in three decades. Committee members thanked Mr. Ross for a job well done.

NEW BUSINESS

Appointment – Board of Review: Committee members reviewed the reappointment of Jan Hervert to the Board of Review. Committee members were informed that Mr. Hervert was a critical member of the assessment appeals process. Mr. Heisler made a motion, seconded by Mr. Bless to recommend the reappointment of Mr. Jan Hervert to the Board of Review for a two year term to end on May 31, 2013. The motion carried with all members present voting aye on a voice vote.

Resolution Authorizing Acceptance of a Modification to the Illinois Department of Commerce and Economic Opportunity Grant #08-677002 and an Emergency Appropriation to the McHenry County Workforce Network Fiscal Year 2011 Budget: Mr. Heisler made a motion, seconded by Mr. Bless to recommend approval of the above Resolution as presented. Ms. Courtney informed committee members that their department was informed that additional grant funding would be received for the Work Experience Opportunity Program. These funds must be spent by June 30th. The youth must meet specific requirements in order to be included in this program. The motion carried with all members present voting aye on a roll call vote (Bless Hammerand, Heisler, Breeden)

Resolution Authorizing Acceptance of a Modification to the Illinois Department of Commerce and Economic Opportunity Grant #10-661002 and an Emergency Appropriation to the McHenry County Workforce Network Fiscal Year 2011 Budget and Resolution Authorizing Acceptance of a Modification to the Illinois Department of Commerce and Economic Opportunity Grant #09-662002 and an Emergency Appropriation to the McHenry County Workforce Network Fiscal Year 2011 Budget: Mr. Bless made a motion, seconded by Mr. Heisler to recommend approval of the above Resolutions as presented. Ms. Courtney stated the above resolutions are the result of additional funding for the Trade Adjustment Assistance Program (TAA). The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, Breeden)

FINANCE AND AUDIT COMMITTEE

April 26, 2011

Page 2

Resolution Authorizing a Budget Line Item Transfer in the Workforce Network Fiscal Year 2011 Budget: Mr. Bless made a motion, seconded by Mr. Heisler to recommend approval of the above Resolution as presented. Committee members were informed that this is a transfer of funds to address payment for the laptop lease rollout that occurred in March. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, Breeden)

Ms. Courtney thanked committee members for their support and loud voices that were heard in Washington DC that supported continuation of the Workforce Network program funding. Committee members stated that Senator Kirk forewarned about additional cuts to the grant programs in the coming years and committee members questioned if the department is prepared to address the cuts to these services. Ms. Courtney stated they are already preparing for these cuts. They will not replace retired staff to address these cuts. She stated that it is easier to plan for cuts than elimination of the program.

Resolution Awarding a County Highway Pavement Preservation and Maintenance Contract for Crack Filling and Appropriating Funds: Mr. Bless made a motion, seconded by Mr. Hammerand to recommend approval of the above Resolution as presented. Mr. Young stated this is an annual contract that went out for bid. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, Breeden)

Resolution Authorizing an Emergency Appropriation to the Planning and Development/McHenry County Schools Environmental Education program (McSEEP) Fiscal Year 2011 Budget: Mr. Bless made a motion, seconded by Mr. Heisler to recommend approval of the above Resolution as presented. Mr. Sarbaugh informed committee members that when they were putting the budget together they knew they would be receiving "tipping" fees from the waste transfer station in Crystal Lake to be used to fund the environmental education program in the schools. At the time the budget was created, there was no clue as to how much funds this program would receive. Now that some of the funds have been received they are able to create a true budget for the program. The tipping fees create a logical funding stream for this program. If funds exceed the cost of the program the remaining funds are returned to the General Fund. Staff will continue to monitor and refine the McSEEP budget for the coming year. The motion carried with the majority of member's present voting aye on a roll call vote (Bless, Heisler, Breeden). Nay (Hammerand)

Resolution Authorizing Emergency Appropriations in the General Fund Non-Departmental Fiscal Year 2010-2011 Budget: Mr. Sarbaugh reminded committee members that during the budget presentation they were informed that the county has ended FY2010 in the "black" by a little over \$3 million dollars. At the time the budget for FY2011 was created there were some concerns that some areas of the budget that were weak. At the time the budget was created fuel costs were running \$2.75 a gallon and as everyone knows, they are now paying well beyond this. After much consideration, it is recommended that \$250,000 of these funds be added to the contingency fund to cover any unplanned shortages that may occur to the General Fund Departments due to the reductions in the expenditure budgets and \$200,000 will be added to the General Fund Non-Departmental Fuel Budget to address any shortages to the fuel line item. It was also recommended that \$1,000,000 be transferred to the Illinois Municipal Retirement Fund to enhance the declining fund reserve balance caused by higher employer contribution rates. The County could have borrowed these funds from IMRF for 30 years at 7.5% to address this shortage. Mr. Sarbaugh reminded committee members that no one is paying 7.5% for loans so this option was not considered. These changes will take some of the pressure off the FY2012 budget. Mr. Bless made a motion, seconded by Mr. Hammerand to recommend approval of the above Resolution as presented. Mr. Hammerand stated that he would like to make sure the funds for the fuel were specifically earmarked for this purpose instead of being placed in the general contingency fund. Committee members voiced concern that if the County departments see there is additional funding in the contingency fund they would come before the board requesting expenditure of these funds. If the County show there is a priority for these funds they won't be so quick to form ideas for expenditures. Mr. Bless and Mr. Hammerand amended their motion to earmark \$250,000 from the General Fund Utilization of Fund Balance to be used specifically for fuel, oil and grease. The motion carried with a majority of member's present voting aye on the amendment (Hammerand, Heisler, Breeden) nay (Bless). The original motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, Breeden)

Resolution Authorizing an Emergency Appropriation in the Illinois Municipal Retirement Fund (IMRF) Fiscal Year 2011 Budget: Mr. Bless made a motion, seconded by Mr. Heisler to recommend approval of the above Resolution as presented. Mr. Sarbaugh stated that this Resolution sets up the funds for transfer into the IMRF fund. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, Breeden)

Resolution Authorizing an Emergency Appropriation in the County Clerk Automation Fund Fiscal Year 2011 Budget: Mr. Bless made a motion, seconded by Mr. Hammerand to recommend approval of the above Resolution as presented. Committee members were informed with recent changes by the State of Illinois to recognize Civil Unions, The County Clerk must now purchase Civil Union Licenses with are printed on special security paper to prevent fraudulent licenses

FINANCE AND AUDIT COMMITTEE

April 26, 2011

Page 3

from being issued. The department also needs to purchase additional vital records paper for certified copies of birth certificates in order to meet the demand for copies. Ms. Schultz stated that a fee structure was not included for civil unions. She will come back to the County Board to request a similar fee for these Civil Unions. Kane County recently approved the charging of these fees even though they have not been authorized to do so. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, Breeden)

Resolution Identifying Work Contracts to Installment Purchase Agreements and Resolution Authorizing an Emergency Appropriation and Budget Line Item Transfer in the Highway Road Improvement Project Fund Fiscal Year 2011 Budget: Mr. Bless made a motion, seconded by Mr. Heisler to recommend approval for the two above Resolutions as presented. Mr. Sarbaugh reminded committee members that the County is required to bring the above Resolutions forward in order to close out the 2007B debt certificates that were used to borrow \$50,000,000. The road project has been completed with \$7,953 remaining left in the bank account set up for the project. These funds can be utilized to pay the cost of the arbitrage calculation leaving \$5,453 that can be transferred and used against the debt service payment made on January 14th. The second Resolution allows for the funds to be transferred out of the account. The motion carried with all members present voting aye on a roll call vote (Bless, Hammerand, Heisler, Breeden)

Grant Discussion – Health Department: Committee members entered into a discussion regarding possible grants for FY2012. In March there was a discussion around the grant program within the Health Department. As we kick off the grant program for FY2012 there is a request for direction on how to handle grants being handled within the Health Department. The Health Department has the largest amount in the number of grants serviced by the County. The Mental Health Board, Workforce Network and the Sheriff's Department all receives grant funds as well. These grants service the general public. In the past there have been questions on whether the grants cover the full cost of the programs. This has been a hard question to answer. In the majority of the grants they do cover the cost of the program. For new grants, costs are built into the grant budgets. The Health Department is unique as they have many continuation grants that have been brought forward from the past. These grants have generally covered the cost for salaries, but not benefits. Mr. Sarbaugh asked for direction on how to move forward with these budgets for FY2012. This issue is being brought forward at this time because the State and Federal Governments are on different fiscal budgets from the County. He questioned if the County wants to continue with assistance in these programs. Today the philosophy around grants is to expect the grant to cover the costs of the benefits. In 2001 DMG Maximus did a study where they looked at the costs to provide services. McHenry County was one of the lower cost Counties. For every dollar spent, .70 cents were spent for indirect costs. Most grants include some costs but they do not cover all the costs for the program. These benefit costs need to be reviewed to see if it is worth the continuation of the program. Committee members questioned how far behind the grant payments are. They were informed that the County has been fortunate in receiving their grant payments in a timely manner. By the time the program is closed for the fiscal year, all the funds have been received, though some of the funds are received just before the end of the fiscal year. The Health Department has not had too much of a problem in getting paid for their grants. The grant program increases yearly. Currently there is \$3.5 million dollars of grant funding. The County provides \$1.5 million dollars to the grant programs. These grants have remained fairly consistent with no cost of living increases included within the grants. Some of the grants do increase by a small amount yearly. Committee members stated they need to know what the Administrative costs are for each of the grants. Chairman Breeden noted that there is a great deal of uncertainty about the future finances and with this uncertainty we may not be able to continue as we have in the past.

OLD BUSINESS

None

REPORTS TO COMMITTEE, AS APPLICABLE

Auditor's Report: Ms. Teresi joined committee members to provide a follow-up to a previous Petty Cash Audit. Chairman Breeden apologized for the reports being cut short at the previous meeting. Ms. Teresi noted that if they should have any questions concerning any of the reports to please contact her. Ms. Palmer is out ill today and unable to attend today's meeting. Ms. Palmer had requested the committee members be informed that the CAFR is going well. The auditors are reviewing the final information in the next few weeks.

Chairman Breeden stated that he would like the Auditor's office and Finance and Audit Committee to prioritize follow-ups for previous audits. Ms. Teresi highlighted the summary of the findings in the audit report and reviewed the information with the committee members. She stated she has seen areas that have never been reviewed and feels these reports make a difference. It was noted there have been three major audits complete since the beginning of the year. It was questioned whether the departments have addressed the findings in these audits. Twenty four (24) petty cash accounts were reviewed. These accounts were reviewed to make sure they were in compliance of the Petty Cash Policy and Procedure. The last page of the report included the summary of finding in the audit. She stated the supervisors in the

FINANCE AND AUDIT COMMITTEE

April 26, 2011

Page 4

department should be reviewing these accounts on a quarterly basis. Committee members questioned if each of the departments should have a checking account to address these findings. They were informed that this would create the need for more internal controls and there would be no way to account for these checks in the accounting system. This would require journal entries for each transaction that the Treasurer would be required to track. This would also make it harder to detect fraud. Each of these accounts generally only have between \$100 to \$200 dollars, but writing a check could result in a higher amount of fraud. Ms. Teresi stated that overall she feels there will be less findings in the future if the departments follow the recommendations being provided in the audits.

Committee members were informed that Ms. Teresi is also celebrating her first year with the county. She stated that today is her anniversary date. She informed committee members that she will be completing an audit for the vehicle use policy.

Contingency Reports: Committee members reviewed the contingency report. This was a year to date report and not just an update for the month.

Economic Development Corporation: Committee members were informed that Senator Kirk joined the EDC at their meeting. This was a very informative meeting.

Convention and Visitors Bureau: None.

FUTURE TOPICS

Committee members stated with the concerns regarding fuel costs have there been any discussions about the County purchasing energy efficient cars in the future. It was stated that because of the cost of some of these vehicles the only ones that would make sense would be the purchase of natural gas or propane fuel cars. It was stated that if the County gets into the alternative fuel vehicles it would not be for efficiency but to show that the County is a leader in purchasing "green". These vehicles do not have a great return on investment because of a higher than average purchase price and they are more difficult to service in house. Committee members suggested that the county look into grants for the purchase of these vehicles. It was stated that they should start with non-safety vehicles. They noted there are several large counties using alternative vehicles within their County's.

EXECUTIVE SESSION: None.

ADJOURNMENT: Noting no further business, Mr. Hammerand made a motion, seconded by Mr. Heisler to adjourn the meeting 11:35a.m. The motion carried with all ayes on a voice vote.

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RECOMMENDED FOR BOARD/COMMITTEE ACTION:

- Reappointment of Jan Hervert to the Board of Review
- Resolution Authorizing Acceptance of the Illinois Department of Commerce and Economic Opportunity Grant #08-677002 and Authorizing an Emergency Appropriation to the McHenry County Workforce Network Fiscal Year 2011 Budget
- Resolution Authorizing Acceptance of a Modification to the Illinois Department of Commerce and Economic Opportunity Grant #10-661002 and an Emergency Appropriation to the McHenry County Workforce Network Fiscal Year 2011 Budget
- Resolution Authorizing Acceptance of a Modification to the Illinois Department of Commerce and Economic Opportunity Grant #09-662002 and an Emergency Appropriation to the McHenry County Workforce Network Fiscal Year 2011 Budget
- Resolution Authorizing a Budget Line Item Transfer in the Workforce Network Fiscal Year 2011 Budget
- Resolution Awarding a County Highway Pavement Preservation and Maintenance Contract for Crack Filling and Appropriating Funds
- Resolution Authorizing an Emergency Appropriation to the Planning and Development/McHenry County Schools Environmental Education program (McSEEP) Fiscal Year 2011 Budget
- Resolution Authorizing Emergency Appropriations in the General Fund Non-Departmental Fiscal Year 2010-2011 Budget
- Resolution Authorizing an Emergency Appropriation in the Illinois Municipal Retirement Fund (IMRF) Fiscal Year 2011 Budget
- Resolution Authorizing an Emergency Appropriation in the County Clerk Automation Fund Fiscal Year 2011 Budget
- Resolution Identifying Work Contracts to Installment Purchase Agreements
- Resolution Authorizing an Emergency Appropriation and Budget Line Item Transfer in the Highway Road Improvement Project Fund Fiscal Year 2011 Budget

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