

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

MINUTES OF TUESDAY, JULY 26, 2011

Mr. Breeden, Chairman called the meeting to order at 9:35 a.m. The following Committee members were present: Scott Breeden; John Hammerand; Jim Heisler; Mary Donner; Mary McCann and Bob Bless. Tina Hill arrived at 9:36a.m.. Also in attendance: Pete Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator-Finance; Pam Palmer and Jim Bernier, Auditor; Cathy Link, Purchasing; Joe Korpalski Division of Transportation; and Tom Sullivan, Information Technology; Bob Ross, Assessor; Dan Wallis, Court Administrator; Sandy Lewis, Mental Health; Kathie Schultz, County Clerk; Dr. John Burkey and Doug Renkosik District 158; Eric Anderson, Harris Bank, BMO-Capital Markets; Andy Dylak, Director of Finance, MCCD; interested public and the press.

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

MINUTES

Committee members reviewed the committee minutes of July 12, 2011. Ms. McCann 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

Ms. Hill arrived at 9:36a.m.

PRESENTATION

Review of request from District #158 for Cap Authority for Qualified Emergency Conservation Bonds: Chairman Breeden informed committee members that this item has moved up on the agenda. Committee members were joined by Dr. John Burkey, Mr. Doug Renkosik from District 158 and Eric Anderson from Harris Bank for this presentation. Committee members were reminded that Qualified Energy Conservation Bonds (QECBs) were first authorized by Congress in October of 2008. In February of 2009 the American Reinvestment and Recovery Act included an allocation to units of local governments of QECBs. A QECB is a taxable bond issued by a unit of government to finance one or more "qualified conservation purposes." QECBs provide a Federal income tax credit to bond holders on quarterly credit allowance dates. As a result of the tax credit, issuers will pay a lower net interest rate on the principal amount borrowed than on a comparable tax-exempt bond. The County has received a bonding authority allocation of \$3,295,988 under this program. Consolidated School District 158 is requesting approximately \$2 to \$2.25 million dollars of the County's allocation to provide for a number of energy conservation improvements to its facilities. Consolidated School District 158 has contracted with a group to provide improvements and enhancements of its lighting and HVAC systems in order to reduce energy consumption and costs at its facilities. McHenry County is the lead county for District 158 in terms of EAV, population and students served. A cash flow analysis sheet was provided outlining the savings that would be realized by this project. McHenry County has not used any of its allocation and there has been little interest shown for this program. It was noted that this funding is scheduled to go away at the end of this year so there is limited time in order to apply for these funds. Committee members were informed that McHenry County will not have now or in the future any express or implied liability on District 158's debt. The District is the only obligor on the debt. The County role is a pass-through conduit of its QECB allocation. Committee members were informed that if this is approved a Resolution would be forwarded to this committee for consideration with an approval by the County Board at its 2nd meeting in August. The District could do this process on its own, but by going through the County they will save \$250,000. This also will allow the District to obtain some very favorable interest rates. Committee members were questioned if they want to involve the County's legal counsel on this issue. It was noted that this program is similar to the recovery bond program. Committee members questioned if the District is increasing efficiency would they be passing along these savings to the taxpayers. They were informed that any savings would be repurposed for education. The consensus of the committee was to move this forward to the County's legal counsel for review.

Discussion of County Financial Position: Mr. Sarbaugh and Mr. Austin joined committee members to provide a presentation on the current financial position of the County. A five year financial forecast was provided to the committee members. In each of the fiscal years, the county has been completing the year by adding to its fund balance. The County currently has a 7.5 month reserve. In light of the economy for the past few years, the County has delayed some major expenses. These have been shifted out in order to allow more funds to be built up. The County's current debt is exclusively comprised of Debt Certificates, with no debt whatsoever levied via a separate bond and interest property tax levy. The County of McHenry still remains the only county in the United States whose debt is rated Aaa and is exclusively comprised of operating debt. The County's excellent record of fiscal management and stewardship provides primary reasons for top rating attribute. Certain debt is supported by various identified revenues streams. Debt by Purpose by Year was reviewed by the committee members. The Callable Debt/Rates were reviewed by the Committee members. The debt certificates included the debts for the Court House remodel, Valley Hi and the Jail. The biggest expenditure in the future will be for the proposed Public Safety Building. The

County may be in a position to start payments on this expenditure in FY2012, if desired. They may want to start the process by hiring an architect to do some design work for this project first. This item is listed as part of the County Administrator's goals. Another item for consideration is a court space analysis to provide options for Court Space. The Public Safety Building may be needed to address some of these expenses and issues. Some of these funds would be moved into the operating budget in order to move the projects forward. These funds would not compete with the operating funds. Committee members were reminded that even though we have more funds in the reserve, it does not mean the County has "extra" money. These projects were "pushed out" until a change was seen in the economy. Committee members questioned how the County came up with a requirement of having a 5 month reserve. They were informed that three months is the minimum that is recommended to have in reserve. Even with a 5 month reserve the County is considered an A+ class. A seven month reserve is considered too much. This discussion allows a conversation on options for these funds and how to move forward with its planning process for the future. The County Board will need to decide on what/if/when to act on these funds. This will determine how fast these reserves will be spent down. This report shows the thoughtful delay in the expenditure of funds. It was suggested that this presentation be provided to the full County Board at the evening meeting in August. Committee members noted that this is information that the whole County Board has requested to hear. Committee members questioned what the long term impact would be to leave the levy funds on the table. This has never been asked. If this is done there would be an average savings of \$8 per household. Committee members were questioned when they would like a presentation on this issue to the County Board. They stated that the County Board members need to understand their options and they did not feel that a County Board meeting would be the most effective arena for this discussion. It was suggested that a morning meeting be held for this purpose. The Assessor is expected to provide a presentation on an update of the Assessment Process at the next County Board meeting. Committee members felt that this is a very complicated discussion and they suggested a different forum be used to provide this information to the County Board members. It was suggested that this information, along with options with questions that need to be answered for the next six (6) months be provided to the County Board Members, prior to the scheduled meeting. It was suggested that a COW (Committee of the Whole) be scheduled for this meeting as a COW does not allow for additional discussion and restricts what can be discussed. Committee members agreed that they, as well as the Valley Hi Operating Board can decide whether we want to pay off the Valley Hi debt. How to address the levy is a decision that is needed by the whole County Board. They stated they feel it would be best to hold a COW on August 16th at 6:00p.m. Mr. Austin reminded committee members that a presentation on the UDO (Unified Development Ordinance) is scheduled at 4:00p.m. until 6:00p.m. on that same day. The COW should include the Levy, Budget/Finance Update and what the expected revenue and expenses are. Committee members stated that the decision on whether any of the bonds should be paid off should remain under the Finance and Audit Committee. The County Board Members need to be educated on the levy based on the information provided today. In three months the information may change based on the issues of the State. It was questioned how suggested legislation may affect the County. Committee members were reminded that our County is not as reliant on property taxes as others are so this is not an issue at this time.

Ms. Donner left committee at 10:50a.m.

Auditor's Office Staffing: Ms. Palmer joined committee members for a discussion on a staffing request for the Auditor's office. She stated that she wanted to first provide information on the Determination of Component Units to the Committee members based on a request from the previous committee meeting. This issue came up because of the reporting requirements of the McHenry County Conservation District (MCCD). The Conservation District Act states that "In a district located entirely within a county with a population of less than 750,000 that is contiguous to a county with a population of more than 2,000,000, the district's combined annual budget and appropriation ordinance shall not be considered to be adopted until it is also adopted by resolution of the county board of the county in which the district is located. The MCCD is reported as a discretely presented component unit on McHenry County's CAFR. Discrete presentation entails reporting component unit financial data in one or more columns separate from the financial data of the primary government. Certain information should be disclosed about each major component unit included in the component units column. The reason a conversation has been held regarding this issue is because the County Board is charged with approving the MCCD budget, but, has no input regarding this budget. Committee members requested that Mr. Andy Dylak, MCCD's Director of Finance, join in on the discussion and questioned if the MCCD could provide a preliminary budget earlier in the process so they know what's in the budget prior to the County Board's approval. The history of the legislation that requires the County Board's approval of MCCD's budget was also presented. It was stated that communication is the key and they stated that they are confident that the process for next year will move along better, with this increased communication. The only issue is the timeline for the approval of the budget. Mr. Dylak stated they have a primary budget completed in February that highlights the revenue and expenses. The MCCD then holds a public session in March so an informal budget could be provided to the County Board Members at that time for review in order to allow for approval on the formal budget in a timely manner. This would allow for a consensus of the "almost" finished budget prior to adoption of the completed document. The County Board would retain its "veto" power if they felt the budget was too extreme. The consensus of the committee was to allow for an early March information exchange on the MCCD budget in order to address approval of their budget in a timely manner. Committee members questioned if the Legislative and Intergovernmental Affairs Committee should review this legislation for recommended changes to this ACT.

Auditor's Office Staffing: Ms. Palmer joined the committee members for a discussion on a staffing request for her office. She stated that an Auditor's Task Force has completed their work and that this presentation was to talk about that and also her request for an additional staff person. She stated that they need an entry level accountant to provide assistance within the

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department. She stated that she has put in a supplemental request for this position for the past four years. She stated that she wanted to provide adequate notice to the County Board Members regarding this request in order to get this item placed within her budget in order to hire an individual during the Auditor's Office less busy time as December 1st is the busiest time of the year. Committee members questioned what the concern was at this time as this is an issue that should be reviewed during the budget process. Ms. Palmer stated that she had submitted her request during the FY2011 budget supplemental process, but was told to wait until after the FY2010 operating results were finalized. She noted that since her "committee" is the Finance and Audit Committee she wanted them to be aware of her request. Committee members stated that this issue should be forwarded to the Human Resources Committee for consideration. They stated that they think the County Board has to be more cognizant of why this department would benefit from hiring this person outside the budget process. Committee members questioned if this department receives any funding from grants as there has been some suggestions that some of the grants the County receives should include some cost allocations as the workloads increase in various departments because of the acceptance of the grants. Committee members questioned if a part time person could be hired now with an anticipation of taking this position to full time in the future. It was noted that most part time persons generally only want to work part time and do not want to change to full time when the time comes. Committee members suggested she look into the possibility of hiring an intern to help within her office. She stated that she is too late this year to apply for an intern and not a workable solution. Committee members stated that the County has a system in place that works so they suggested this issue be forwarded to the Human Resources Committee for consideration.

NEW BUSINESS

None

REPORTS TO COMMITTEE, AS APPLICABLE

Auditor's Report: None

Contingency Report: Committee members reviewed the Contingency Report as of July 20, 2011.

Economic Development Corporation: Committee members were reminded that the EDC contract has been provided for review. The next report for the EDC will be presented during the budget process.

FUTURE TOPICS

Committee members questioned who would be included in the Public Safety Building. They were informed that there have only been preliminary discussions on this issue but the facility could include the Sheriff's Department, except for the jail, Information Technology, Radio Dispatch, Emergency Telephone and the Emergency Management Agency.

EXECUTIVE SESSION

None

ADJOURNMENT: Noting no further business, Ms. Hill made a motion, seconded by Mr. Heisler to adjourn the meeting 11:45a.m. The motion carried with all ayes on a voice vote.

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RECOMMENDED FOR BOARD/COMMITTEE ACTION:

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