

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

MINUTES OF TUESDAY, OCTOBER 11, 2011

Mr. Breeden, Chairman called the meeting to order at 9:30 a.m. The following Committee members were present: Scott Breeden; John Hammerand; Jim Heisler; Mary McCann; Mary Donner; Bob Bless and Tina Hill. Also in attendance: Pete Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator-Finance; John Labaj, Deputy County Administrator; Pam Palmer, Auditor; Sandy Lewis, Mental Health; Dennis Sandquist, Planning and Development; Dave Christensen, Emergency Management Agency; Kathleen Bergan Schmidt, Kenneth Koehler, County Board Chairman; John Jung, Jr., Donna Kurtz and Ersel Schuster, County Board Members; Pam Cumpata, EDC; Cort Carlson, Convention and Visitors Bureau; Mark DeVries and Jeff Young, Division of Transportation; Bob Ivetic, Human Resources; Charlie Eldridge, EDC; 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 September 27, 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

PRESENTATION

None

NEW BUSINESS

Resolution Approving the Purchase of Maintenance Equipment: Mr. DeVries and Mr. Young joined committee members to present a Resolution Approving the Purchase of Maintenance Equipment. Mr. Bless made a motion, seconded by Ms. McCann to recommend approval of the above Resolution as presented. Committee members were informed that the Transportation Committee previously approved the above Resolution. Committee members were informed that the Division of Transportation was approached by a vendor to test a new innovative piece of brine making and blending equipment. The vendor did some modifications to this piece of equipment based on the testing by this department. The equipment exceeded what the department thought it would do. The vendor offered this equipment for purchase to the department at a significantly reduced price. This machine will now free up an incredible amount of staff time. The department would not have considered this purchase without them being approached for this testing. This will be the only department within the United States to have this type of equipment. The total purchase price would have exceeded \$200,000 for the purchase of the complete system. The motion carried with all members present voting aye on a roll call vote. (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Mr. Sarbaugh requested that the committee take a moment to discuss its debt service payments with Mr. Anderson, the County's representative for underwriting services. Mr. Anderson joined the committee to answer any questions of the committee regarding debt services payments as discussed during the recent Committee of the Whole meeting. Committee members were reminded that there are several members of the County Board that feel they would like to eliminate some of the bond debts of the County. The Valley Hi debt will be paid off shortly and will come from the Valley Hi Enterprise Fund. Mr. Anderson reviewed the General Fund outstanding debts of the County. Staff has recommended that the reserves be used to make the annual debt service payments on the 2003 A (Courthouse Remodel) and 2003 C (Jail Project, 1st Issue) debt issuance. Mr. Anderson stated that the debts could be paid off though he questioned how these funds would be replenished if this was done. He stated that the main question should be how much should be spent now. He stated that it may be better to pay just a portion of the debts in order to see what goes on with the economy. Changes now could result in some interest rate risks. He stated that this is not a time sensitive issue. They can decide later in the year if additional payments should be made on the debts. He stated that this issue needs a lot of thought and consideration. Committee members stated they would like to review the "choices" along with what the consequences of these decisions would be. It was noted that way they will have actual numbers to review. Committee members were reminded

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that right now the economy is a tricky environment and the decisions need thoughtful review. Committee members requested information to be provided prior to the next committee meeting on the current outstanding debt and the consequences of paying off or down some of the debt. They requested this information prior to the committee meeting to allow for review by the committee members prior to the meeting. Committee members thanked Mr. Anderson for his input.

Resolution Authorizing the Purchase of One (1) New Vehicle and an Emergency Appropriation and Budget Line Item Transfer in the Coroner's Fund Fiscal Year 2011 Budget: Mr. Bless made a motion, seconded by Ms. McCann recommending approval of the above Resolution as presented. Committee members were informed that the Coroner is purchasing a vehicle for her department out of the coroner's fund. The motion carried with all members present voting aye on a roll call vote. (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Authorizing Monthly Transactions for the Delinquent Tax Program: Mr. Bless made a motion, seconded by Ms. Hill recommending approval of the above Resolution as presented. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Authorizing Nunc Pro Tunc the Acceptance of the Illinois Department of Transportation IL Child Passenger Safety Program Grant and an Emergency Appropriation to the Sheriff's Fiscal Year 2011 Budget: Mr. Bless made a motion, seconded by Ms. McCann to recommend approval of the above Resolution as presented. Committee members were informed that the Sheriff's Department received the above grant and discovered a Resolution was never brought forward to accept the funds and adjust the budget to expend these grant funds. This Resolution corrects that oversight. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Authorizing Acceptance of an IDOT Sustained Traffic Enforcement Program (STEP) Grant Award and an Emergency Appropriation to the Sheriff's FY11 Budget: Mr. Bless made a motion, seconded by Ms. McCann recommending approval of the above Resolution as presented. The department has been recognized by the Illinois Department of Transportation for their effective work implementing traffic safety campaigns. The grant funds will be used to conduct special enforcement for impaired driving mobilizations and/or occupant protection mobilizations. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Authorizing a Contract with New Dawn Technologies, Inc. for JustWare Case Management Software and an Emergency Appropriation to the Non-Departmental Fiscal Year 2011 Budget: Mr. Bless made a motion, seconded by Ms. McCann to recommend approval of the above Resolution as presented. Committee members were informed that they could move ahead with this resolution or they could wait until after the COW meeting scheduled on November 1st, where they will be discussing this issue with the County Board. It was stated that if the County Board is ready to vote on this issue they can forward the Resolution directly to the County Board for consideration. If there is not a consensus, this item should be brought back to the committee for consideration. Mr. Hammerand made a motion to table this issue until a later date. Mr. Heisler seconded the motion. Committee members were reminded that if they table an issue they have to bring that issue back to the committee on a specific date. Mr. Hammerand and Mr. Heisler withdrew their motion and second. Mr. Bless and Ms. McCann withdrew their original motion and second. This item will be forwarded to the Committee of the Whole on November 1st for discussion.

Resolution Authorizing an Amendment to Resolution R-200708-10-208 Authorizing Adoption of Housing Investment Partnership (HOME) Program Funding for the 2007 Program Year and Authorizing an Amendment to Resolution R-201104-10-093 Authorizing Adoption of Housing Investment Partnership (HOME) Program Funding for the 2010 Program Year and an Emergency Appropriation to the CDBG-HOME FY2011 Budget and the Submittal of Amended Action Plans as Applicable to HUD: Ms. Hill made a motion, seconded by Ms. Donner recommending approval of the above Resolution as presented. Committee members were informed that this is the final cleanup for the 2007 program year. The 2007 program was combined with the 2009 program funds in order to bring this program year up to date. These funds have already been expended. This also brings the County's and HUD's program books current. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

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Resolution Authorizing Entering into a Contract with Verisight (Formerly RSM McGladrey) for Professional Services to Review and Update the County's Current Comprehensive Job Evaluation/Classification System and Corresponding Compensation Program: Mr. Bless made a motion, seconded by Ms. McCann recommending approval of the above Resolution as presented. Since this request is over \$20,000 the resolution was brought to committee for consideration. The funds for this project will come out of this year's budget, not to exceed \$21,500. Committee members questioned if this report could put pressure on our payroll. They were informed that it depends on the response to the report. Some individuals may be affected, though they don't believe there will be a huge change to the overall system. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Review of Revolving Loan Request from Duraflex, Inc. (not in packet): Mr. Labaj presented two Revolving Loan Fund requests to the Committee. Mr. Labaj stated that there is currently over \$675,000 in funds available to lend. He also mentioned that of the ten active loans, only one is delinquent by more than 30 days. The overall fund is in excellent shape.

Duraflex Inc. has requested \$20,000 for the purchase of equipment for a five year term at an interest rate 2.46% (to be adjusted as of the day of Committee approval). The firm is a manufacturer specializing in bellows and tube engineering and manufacturing. The firm currently has a \$160,000 revolving loan with the County that closed on August of 2010. The loan repayment record has been perfect. The firm has continued to remain profitable despite the current economic conditions and have sufficient cash flow to take on the added debt. Resale value of equipment is sufficient collateral.

Ms. McCann made a motion, seconded by Mr. Heisler recommending approval of the loan request in the amount of \$20,000 for Duraflex, Inc. for a five year term. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Mr. Labaj presented a \$160,000 loan request from General Assembly and Manufacturing Corp. for equipment and inventory and receivables financing. The firm is a manufacturer of mechanical assemblies, electrical assemblies and packaging, specializing in the custom assembly of small parts. Part of the request is for equipment to manufacture a line of mosquito abatement equipment for Clarke Environmental. Clarke originally produced it's our machines out of a factory it owned in Wisconsin, but has now decided to have General Assembly produce the equipment for it. The firm has remained profitable despite the current economy. The new equipment to be purchased with loan funds is not sufficient to collateralize the loan, therefore, exiting unencumbered equipment will also become part of the collateral. Committee member John Hammerand requested a listing of all equipment to be used as collateral as well as an evaluation. Additionally, Mr. Hammerand noted that there was not excess operational cash flow after debt service. He felt that this was cutting the firms finances too close. The Committee discussed the pro and cons of moving forward with the request. Ms. Donner made a motion, seconded by Ms. McCann recommending approval of the loan to General Assembly and Manufacturing Corp. with the loan being tied to the collateral with the underwriter determined rates. Committee members voiced concern that the company has no cushion in case of emergency. Committee members were informed that the loan will be used to fulfill the contracts received by the company. The underwriter recommended approval of this requests based on specific requirements of the loan. Ms. Donner made a motion, seconded by Mr. Bless to recommend the loan be subject to the seven (7) conditions as noted on page five (5) of the underwriter's analysis. Committee members were reminded that this type of loan is a text book case of why this revolving loan program was created. The motion to the amendment carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden) The original motion carried with a majority of members present voting aye on a roll call vote aye (Bless, Donner, Heisler, Hill, McCann, Breeden) nay (Hammerand)

Mr. Labaj asked for direction from the Committee on another revolving loan fund request he has received. The applicant is a service provider who wants to purchase an office condo for its business. The applicant is requesting 90% financing and a 15 year amortization schedule since this would be a real estate transaction. The Committee consensus was to bring forth the application but at something less that the 90% refinancing as currently proposed.

Ordinance Authorizing the Annual Appropriations for FY11-12 Budget (not in packet): Committee members were informed that this item is postponed until a later date. Committee members were informed that they decided to take a step back in order to provide a complete picture on the budget. An additional Finance and Audit Committee meeting will be scheduled for October 17th at 9:00a.m. to review the numbers for the budget.

Approved 10 25 11

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Ordinance Providing for the Levy of Taxes for McHenry County for Fiscal Year December 1, 2011 through November 30, 2012 (not in packet): Committee members were informed that this has been postponed.

REPORTS TO COMMITTEE, AS APPLICABLE

Auditor's Report: None. Ms. Palmer informed the committee that the office is gearing up for the 2011 audits. That process should begin the last week in November.

Contingency Report: Committee members reviewed the Contingency Report as of 10/5/2011.

FUTURE TOPICS

None

EXECUTIVE SESSION

None

ADJOURNMENT

Noting no further business, Ms. McCann made a motion, seconded by Mr. Hammerand to adjourn the meeting 10:35a.m. The motion carried with all ayes on a voice vote.

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RECOMMENDED FOR BOARD/COMMITTEE ACTION:

- Resolution Authorizing the Purchase of Maintenance Equipment
- Resolution Authorizing the Purchase of One (1) New Vehicle and an Emergency Appropriation and Budget Line Item Transfer in the Coroner's Fund Fiscal Year 2011 Budget
- Resolution Authorizing Monthly Transactions for the Delinquent Tax Program
- Resolution Authorizing Nunc Pro Tunc the Acceptance of the Illinois Department of Transportation IL Child Passenger Safety Program Grant and an Emergency Appropriation to the Sheriff's FY2011 Budget
- Resolution Authorizing Acceptance of an IDOT Sustained Traffic Enforcement Program (STEP) Grant Award and an Emergency Appropriation to the Sheriffs FY2011 Budget
- Resolution Authorizing an Amendment to Resolution R-200708-10-208 Authorizing Adoption of Housing Investment Partnership (HOME) Program Funding for the 2007 Program Year and Authorizing an Amendment to Resolution R-201104-10-093 Authorizing Adoption of Housing Investment Partnership (HOME) Program Funding for the 2010 Program Year and an Emergency Appropriation to the CDBG-HOME FY2011 Budget and the Submittal of Amended Action Plans as Applicable to HUD
- Resolution Authorizing Entering into a Contract with Verisight (Formerly RSM McGladrey) for Professional Services to Review and Update the County's Current Comprehensive Job Evaluation/Classification System and Corresponding Compensation Program

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