

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

MINUTES OF TUESDAY, OCTOBER 25, 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 Donner; Bob Bless and Tina Hill. Mary McCann arrived at 9:34 a.m. Also in attendance: Pete Austin, County Administrator; Ralph Sarbaugh, Associate County Administrator-Finance; John Labaj, Deputy County Administrator; Pam Palmer, Auditor; Pam Cumpata, EDC; Joe Korpalski and Jason Osborn, Division of Transportation; 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 October 11, 2011. Mr. Heisler made a motion, seconded by Ms. Donner to recommend approval of the above minutes as presented. The motion carried with all members present voting aye on a voice vote.

PUBLIC COMMENT

Mr. Terry Kappel from Woodstock joined committee members and questioned committee members about a Resolution that is under consideration on today's committee agenda. It states that these funds will be used to serve laid off workers in various locations including several areas outside the County. Mr. Kappel questioned why companies outside the county would be benefiting from this grant and why no small businesses were being helped with this grant in order to hire new employees. Chairman Breeden informed Mr. Kappel that he can make a comment during this portion of the meeting but, they do not answer questions. He stated he would sit down with Mr. Kappel after today's committee meeting to see if he can answer questions brought forth by Mr. Kappel.

Ms. McCann arrived at 9:34a.m.

PRESENTATION

None

NEW BUSINESS

Resolution Approving Illinois Department of Transportation Land Acquisition for Improvements to U.S. Route 14 and an Emergency Appropriation to the Non-Departmental Fiscal Year 2011 Budget: Ms. Hill made a motion, seconded by Mr. Bless recommending approval of the above Resolution as presented. Mr. Labaj informed committee members that this Resolution addresses the improvements being made to U.S. Route 14. This is a continuation of the road project from Crystal Lake to Woodstock. IDOT has requested to purchase a portion of property in front of the Animal Control facility. They would also like to create a temporary easement in front of the facility. Plans were reviewed by both the Health Department and the Division of Transportation regarding any possible impacts to the facility. It was determined that there would be no impact. IDOT would take approximately six feet of property in front of Animal Control. The County will receive \$53,400 for this purchase and use of the area for the temporary easement. The County appraiser indicated this was a fair market price for this property. Mr. Labaj stated that he spoke with the State's Attorney's office which indicated the funds received could be used to pay down the debt certificates that were used for the purchase of the facility, provide upgrades to the facility or use the funds for future capital purchases. The funds will be placed into the non-departmental budget for use at a later date. Mr. Hammerand questioned if staff had contacted Crystal Lake to make sure there would be no set-back or easement issues. He stated He does not want the property to become "non-conforming" because of this construction. He stated this could cause an issue with the signage at the facility as well. Mr. Labaj stated he would check into this issue with Crystal Lake. Committee members were informed that most municipalities grandfather properties into their plans because of road projects. Mr. Hammerand stated that if the Crystal Lake officials are okay with the project, he is fine with the project as well. The motion carried with all members present voting aye on a roll call vote. (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Approving Funds for the 2012 Transit Grant Program: Ms. Hill made a motion, seconded by Mr. Bless to recommend approval of the above Resolution as presented. Mr. Korpalski and Mr. Osborn joined committee members for presentation of the Resolution and to answer questions of the committee. On November 15th this
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plan is scheduled to be adopted by the County Board. \$825,000 has been included in the FY2012 budget which will allow for the continued funding for this program. Ms. Donner stated that she would be recusing herself from the vote on this issue since she is an employee of PACE. Committee members questioned if this program has been analyzed for the expenditures versus the cost per ride. They stated that if a ride is costing \$200 per ride, does this justify the expense of continuation of this program. It was stated that when they were in the planning process for this program PACE reviewed what type of service would best serve the County. Committee members stated they would still be interested to learn what the cost is per passenger mile.

Committee members questioned who would fund and support this program if the grant funding went away. Committee members were reminded that the funds for this program come from a small portion of the RTA taxes. Committee members noted they would like to see what type of plan is in place should the County decide to not accept these tax funds.

They questioned when the County determines if this program has been a success. Committee members were informed that they have ridership numbers available. This will never be a fixed route program, which is cheaper to run. Individuals are directed to the fixed routes when they can. They have seen an increase in ridership on the fixed routes as well.

Committee members voiced concern that this program could turn into a "sinkhole" at some point in time. It was stated that this program has come a long way though they have faced some difficulty is getting the word out regarding this program. This program has been a big help to many families in the area. The VAC also has two bus leases with PACE.

The motion carried with a majority of members present voting aye on a roll call vote (Bless, Hammerand, Heisler, Hill, McCann, Breeden) Donner recused herself from the vote.

Resolution Approving an Intergovernmental Agreement Between the Village of Huntley, Kane County and McHenry County for Construction Engineering (Phase III) Services and Construction for a Full Interchange on Interstate 90 at Illinois Route 47: Ms. Hill made a motion, seconded by Mr. Bless recommending approval of the above Resolution as presented. Committee members were reminded that this project has been a long time coming. This is approving the intergovernmental agreements for the above project. The County's cost for the project is implemented over three years so the County won't feel the burden all in one year. The Tollway is the lead agency for this project. The Tollway pays the costs and then gets reimbursed by the partners in the project. The motion carried with all members present voting aye on a roll call vote. (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Authorizing the Acceptance of the IL Department of Commerce and Economic Opportunity Grant #10-662002: Ms. Hill made a motion, seconded by Mr. Bless made a second recommending approval of the above Resolution as presented. Committee members were informed that these funds are used to help the dislocated workers from the agencies listed. The employees may work outside the County but the workers must have a McHenry County home address to qualify for the program. The funds are used for training of these workers. Committee members stated that this information should be included within the resolution. Ms. McCann made a motion, seconded by Ms. Hill to amend the resolution's second paragraph to include that the funds are to be used for McHenry County Residents. The motion carried with a voice vote of all ayes. The original motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Authorizing the Acceptance of a Modification to the IL Department of Commerce and Economic Opportunity Grant #10-653002 and an Emergency Appropriation to the McHenry County Workforce Network Fiscal Year 2011 Budget: Ms. Hill made a motion, seconded by Mr. Bless to recommend approval of the above Resolution as presented. Committee members questioned what TGAAA stands for. They were informed that this stands for Trade & Globalization Adjustment Assistance Act. Committee members requested this be spelled out in the Resolution for better clarification. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Authorizing Approval of the County of McHenry's Property and Casualty Insurance Program for FY2011-2012: Mr. Bless made a motion, seconded by Mr. Heisler recommending approval of the above

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Resolution as presented. Mr. Labaj informed committee members that the chart lays out the basic insurance program for the County. There are ten separate policies which includes a 2.7% increase from the former year. Most of the policies have remained stable. The deductible for Worker Compensation (SIR) has been increased from \$500,000 to \$550,000. The insurance for inmate medical has been reduced but, includes more coverage. The second sheet provided includes some recommendations for additional coverage. After review by the Management Services Committee and after reviewing a couple of areas of vulnerability it was determined that additional coverage would be needed for Cyber-liability and Sexual Molestation. Because of the vulnerability of the risk for loss due to personal information, it was decided that Cyber-liability would be a coverage that was needed. Also, because of the contact that the probation officers have with underage individuals, it was decided that additional coverage for sexual molestation was also warranted. Because of the limits placed on the other suggested coverage it was decided to forgo the other recommendations at this time. The increases seen for the dental insurance is the result of the clinic seeing more patients. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Authorizing a Budget Line Item Transfer in the Facilities Management Fiscal Year 2011 Budget: Ms. Hill made a motion, seconded by Ms. Donner to recommend approval of the above Resolution as presented. Committee members were informed that this is a request to allow the purchase of a new carpet cleaning machine. The County has a great cleaning program in place. The department only has one carpet cleaning unit that needs replaced. The older unit will be used as a backup unit. The new unit will clean both carpet and tile. The motion carried with all members present voting aye on a roll call vote. (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Resolution Authorizing Budget Line Item Transfers Between the Debt Service Funds in the Fiscal Year 2011 Budget: Ms. Hill made a motion, seconded by Mr. Bless recommending approval of the above Resolution as presented. Committee members were informed that when debt certificates are issued there is a fee to handle the certificates. The fee was overlooked when the certificates were issued. This resolution allows for the payment of these fees. The motion carried with all members present voting aye on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, McCann, Breeden)

Ms. McCann left committee at 10:28 a.m.

McHenry County Revolving Loan Application for Millennium Electronics International, Inc. (not in packet): Ms. Hill made a motion, seconded by Mr. Bless recommending approval of the above Resolution as presented. Mr. Labaj informed committee members that Millennium Electronics International filed a loan request in August. He has been working with them since that time, during their reorganization. This is a firm that has participated in this program in the past. They previously held two different loans with the County. This company was previously in partnership with another company. This partnership did not work out. All loan funds were paid off and the credit history remains good. The partnership agreed to forgo any litigation and a settlement was reached between the two partners. This included the liquidation of Millennium Electric. The owner of Millennium purchased a couple of production lines and has requested a loan in order to start up this new company. This is a firm that has a history with the County. He still has some existing business relationships and would like to start up this smaller firm. He also has a couple of leases for use in their existing space, which will reduce their overhead. Mr. Labaj stated that their weaknesses include the losses that have been experienced since 2009 and because they ceased operation for a period of time. Mr. Labaj noted that even though there are some risks there are a lot of positives as well. They spent a significant amount of time reviewing their financial statements to make sure their orders stand behind the numbers provided. The reason it took a lengthy amount of time to bring this loan request to the committee was because we were waiting for them to establish a new banking relationship for the firm and provide personal guarantees for the loan. Both the husband and wife have provided these guarantees. The Real Estate was not part of the partnership so they still own the facility. Crystal Lake Bank and Trust are restructuring the loan for the building. This includes five year leases for his tenants. There is \$475,000 in the loan fund. The State's Attorney has reviewed the settlement agreement between the past partners and stated that there is no need for further litigation. Ms. Hill called the question, if no one has any strong concerns about this application. Chairman Breeden stated that if approved he would like quarterly reports to this committee on this loan. The motion carried with all members present voting aye on a roll call vote. (Bless, Donner, Hammerand, Heisler, Hill, Breeden)

Review of Revolving Loan Request for LMM & Associates, Inc. (not in packet): Mr. Labaj presented a Revolving Loan Fund request to the Committee from LMM & Associates, Inc. Mr. Labaj reminded committee members that Approved 11811

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they had discussed this request at the previous committee meeting. Ms. Hill made a motion, seconded by Mr. Bless recommending approval of the loan request for LMM & Associates as presented. Mr. Labaj stated that this is not a normal request as this request is for the acquisition of property. They would provide \$25,000 of their own equity, with a request for \$175,000. Committee members voiced concern that the committee had never reviewed a request to purchase property. They were informed that this request would be for a longer term and would tie up the funds for a longer period of time. There has been an appraisal of the property. Committee members questioned how many jobs would be created from this loan request. They were informed that this is a two person shop with hopes to grow in the future. They have indicated that they could hire as many as five additional persons. Committee members voiced concern that they would be tying up too much money for five jobs. The motion failed with all members present voting nay on a roll call vote (Bless, Donner, Hammerand, Heisler, Hill, Breeden)

OLD BUSINESS

Ms. Hill reminded the committee members that the budget has been placed on a 30 day review. She stated that during the discussion of the county board salaries she was confused on what was decided on this issue. It was stated that the pay for the next County Board members would be \$21,181, with the pay being frozen for the next few years. The CPI was removed from the Resolution as well. Mr. Labaj stated that there were no raises in the resolution for both the two and four year term County Board members. They were reminded that this issue comes before the committee every two years. Previously the pay was frozen by the past board for one year. Those members that came in last year would get a cost of living raise this next year.

REPORTS TO COMMITTEE, AS APPLICABLE

Auditor's Report: Ms. Palmer informed committee members that the third quarter report will be sent out this week. When these reports are completed, a lot of different accounts are audited. Ms. Palmer stated that she reviews the reports and the analysis provided. Last year's internal report included suggestions on payroll change history, vendor approval, decentralized bank accounts and purchase orders. The vendor list has been reduced from 21,000 vendors to 6,700 vendors. This has taken a lot of staff time to complete. Procedures are being put in place on how to put in for new vendor requests so they get the W-9's and 1099's required. Currently there are no procedures so when we hire an individual they need to determine if they are an independent contractor versus an employee and use the proper coding. Procedures are being put into place regarding the confidentiality of the vendor information.

They have created a policy to do an annual review of the vendor list so that the information is current. When an item goes out to bid the all vendors that bid on the project were added to the vendor list. They are now placed on a "bid" list and they then can be moved to the active vendor list if their bid is accepted. Ms. Palmer noted that a vendor can be added to the list if needed at any time. This request goes through the Purchasing Department. Committee members voiced the need for the County to purchase locally if possible.

Ms. Palmer noted that the IRS sends a list of any 1099's that were reported that does not match up with the information submitted. These 1099's are coming in fast with each one needing review.

Contingency Report: None.

Economic Development Corporation: Ms. Cumpata joined committee members to provide an update on the EDC. She reminded the County Board Members to submit their reservations for the EDC dinner as they are almost full.

A meeting is being scheduled regarding "Advantage Illinois". \$78 million has been provided from the federal State Small Business Credit Initiative (SSBCI) of the Small Business Jobs Act of 2010. Advantage Illinois consists of three programs to spur institutional lending to small businesses and one program to leverage private venture capital in start-ups and high-growth businesses. This meeting has been scheduled for November 10th at the Shah Center. This meeting will provide information on how to get some capital for their business.

Ms. Cumpata thanked the committee members for approving the loan for Millennium Electronics.

Convention & Visitors Bureau: Mr. Heisler stated that they had a nice meeting last Monday. He stated that he is impressed with the activities of this group. He stated it is amazing the amount of money that comes into the county because of tourism and how much is spent by the tourist. Committee members requested that Mr. Heisler

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provide a copy of these reports so everyone can see what monies are brought into the County.

FUTURE TOPICS

Committee members requested an update on the labor negotiations for the County.

Committee members were informed that Eric Anderson will attend the next meeting to answer questions regarding the County's Debt Service Payments.

EXECUTIVE SESSION

None

ADJOURNMENT

Noting no further business, Ms. Hill made a motion, seconded by Mr. Bless to adjourn the meeting 11:05a.m. The motion carried with all ayes on a voice vote.

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RECOMMENDED FOR BOARD/COMMITTEE ACTION:

Resolution Approving Illinois Department of Transportation Land Acquisition for Improvements to U.S. 14 and an Emergency Appropriation to the Non-Departmental Fiscal Year 2011 Budget

Resolution Appropriating Funds for the 2012 Transit Grant Program

Resolution Approving an Intergovernmental Agreement Between the Village of Huntley, Kane County and McHenry County for Construction Engineering (Phase III) Services and Construction for a Full Interchange on Interstate 90 at Illinois Route 47

Resolution Authorizing the Acceptance of the IL Department of Commerce and Economic Opportunity Grant #10-662002

Resolution Authorizing the Acceptance of a Modification to the IL Department of Commerce and Economic Opportunity Grant #10653002 and an Emergency Appropriation to the McHenry County Workforce Network Fiscal Year 2011 Budget

Resolution Authorizing Approval of the County of McHenry's Property and Casualty Insurance Program for FY2011-2012

Resolution Authorizing Budget Line Item Transfers Between the Debt Service Funds in the Fiscal Year 2011 Budget

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