

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

MINUTES OF TUESDAY, JANUARY 27, 2009

Committee Chairman Marc Munaretto called the meeting to order at 9:30 a.m. The following Committee Members were present: Marc Munaretto; Scott Breeden; Mary Donner; Lyn Orphal and Daniel Ryan. Tina Hill and John Hammerand were absent. Also in attendance: John Labaj, Deputy County Administrator; Ralph Sarbaugh, Associate County Administrator – Finance; Cindy Kozlowski, Financial Analyst; Peter Austin, County Administrator; Bob Lesser; Jane Wacker; Frank Gosser (attorney) and Don Larson – representatives of the Mental Health Board; Pam Palmer, Auditor; Adam Lehman, Administrative Intern; Lou Bianchi, State’s Attorney; Tom Carroll, Assistant State’s Attorney; Kathy Keefe, Clerk of the Circuit Court; Donna Mayberry, Supervisor of Assessments; Tom Sullivan, Information Technology; Cathy Link, Purchasing; Mike Iwanicki, VAC; Heather Acker, representative from Virchow Krause & Company; 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 January 15 and 20, 2009 Finance and Audit Committee minutes. The minutes were approved as submitted with a unanimous voice vote of all ayes.

PUBLIC COMMENT: None.

PRESENTATION:

*Alliance One Receivable Management, Inc. – State’s Attorney’s Office/Circuit Clerk:* Chairman Munaretto asked Mr. Bianchi, Mr. Carroll and Ms. Keefe to join the Committee for a discussion of a new program to collect outstanding fines and fees owed to the County by traffic and criminal offenders. Mr. Bianchi provided an overview to the program. The County has entered into a contract with Alliance One Receivable Management, Inc. to be the collection agency. There will be no cost to the County as the collection agency can charge a 30% collection fee over and above what is owed to the County. Prior to any payment to the collection agency, the County is made whole. Doing these collections internally was researched, but due to the added cost of personnel, equipment and time it was determined that an outside agency could best handle these collections. Chairman Munaretto questioned if it might be possible to have other departments that have experienced collection problems also enter into this program. This possibility will be explored. Mr. Ryan questioned if they would offer any negotiation to the penalty. Although this was not discussed, it was noted that the firm would only be able to negotiate their fee and not what is owed to the County. Chairman Munaretto stated that a challenge is to think of ways to leverage what has been put in place and see if this program could work for other departments. Mr. Bianchi also reported that \$125,193 has been collected to date though the State’s Attorney’s check collection program for local businesses. Chairman Munaretto thanked the State’s Attorney’s office and the Clerk of the Circuit Court for providing this information and asked for periodic reports on this collection program.

*Virchow Krause Audit Update:* Ms. Palmer and Ms. Acker joined the Committee to provide an update on the outside audit. Ms. Acker stated a new auditing standard requires that certain items be communicated to the committee during the planning and completion phases of the audit. She noted that no action is needed on what is presented at this time. She summarized the responsibilities of the audit firm and the scope and timing for the November 30, 2008 audit. The audit is performed in accordance with generally accepted auditing standards. The scope of the work will address significant risks of material misstatement and will look at the big picture of internal control and identify weaknesses. An opinion will be given as to the effectiveness of internal control over financial reporting. As part of the audit, she stated it is important to know the County’s views and if there are matters that warrant particular attention during the audit. The final fieldwork is scheduled to begin in late February and run through early spring. After the fieldwork is complete, the audit opinions and other communications are reviewed and a final report is provided in the form of a Management Letter. The Management Letter is the outcome of anything that is found and recommendations. She noted that with the

growing number of collections and bankruptcies it is important to continue overall budget monitoring to make sure "you do not get into a hole" with declining revenues. Ms. Palmer noted that as part of monitoring expenses, the auditor's department is asking for additional information when paying bills. Members thanked Ms. Acker and Ms. Palmer for their report.

#### NEW BUSINESS

*Resolution authorizing acceptance of the Veterans Lottery Grant and an emergency appropriation to the Veterans Assistance Commission (VAC) 2009 budget:* Ms. Donner made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing acceptance of the Veterans Lottery Grant and an emergency appropriation to the Veterans Assistance Commission's 2009 budget. Mr. Iwanicki explained the proposed grant, noting that this is the third year the VAC of McHenry County has been awarded this grant which is used to fund a Veterans Dental Services program. McHenry County was the first county in Illinois to be awarded this grant of which 100% of the funds go toward restorative dental health. To date, the program has helped 20 veterans. After a brief discussion a roll call vote was called. The motion carried with all members present voting aye (Breden, Orphal, Donner, Ryan and Munaretto).

Ms. Donner thanked Mr. Iwanicki for this recent assistance in helping a veteran file papers. Mr. Iwanicki noted that he has worked closely with the Supervisor of Assessments to assist veterans in getting a modest tax break that was approved through State Statute. The office helps verify veteran's information. During recent work with a veteran it was noted that the individual may not be receiving all benefits available and through additional work the department was able to provide more help to this person. Ms. Mayberry added that she would like to thank Mr. Iwanicki publically for his dedication and diligent efforts in making the program work for the County.

#### OLD BUSINESS:

*Resolution authorizing amendments to the Debt Policy:* Chairman Munaretto asked that this item be moved up on the agenda. He stated that he has revised the proposed policy to address what was discussed at a meeting with the Mental Health Board. The policy has been revised to exclude all non bond related debt made by the McHenry County Mental Health Board. After review, Mr. Breden made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution authorizing amendments to the Debt Policy. The motion carried with all members present voting aye on a roll call vote (Breden, Orphal, Donner, Ryan and Munaretto).

#### NEW BUSINESS (Continued)

*Resolution authorizing the purchase of six (6) Sheriff Detective vehicles:* Ms. Orphal made a motion, seconded by Ms. Donner, to recommend the County Board approve a Resolution authorizing the purchase of six (6) Sheriff Detective vehicles. After discussion, the motion carried with all members present voting aye on a roll call vote (Breden, Orphal, Donner, Ryan and Munaretto).

*Resolution authorizing budget line item expenditures in the Valley Hi Enterprise Fund FY 08/09 budget:* Ms. Orphal made a motion, seconded by Mr. Breden, to recommend the County Board approve a Resolution authorizing budget line item expenditures in the Valley Hi Enterprise Fund FY 08/09 budget. This Resolution provides for the purchase of dairy products for the facility. The motion carried with all members present voting aye on a roll call vote (Breden, Orphal, Donner, Ryan and Munaretto).

*Resolution rescinding Resolution No. R-200603-12-058 and a Resolution authorizing workers' compensation claim settlement:* Ms. Orphal made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing rescinding Resolution No. R-200603-12-058 and a Resolution authorizing workers' compensation claim settlement. Mr. Labaj noted that the arbitrator had determined the negotiated amount in the original resolution was too low and thus the request is made to rescind this original resolution. After discussion a roll call vote was called. The motion carried with all members present voting aye on a roll call vote (Breden, Orphal, Donner, Ryan and Munaretto).

*Resolution authorizing an emergency appropriation to re-appropriate into FY 08/09 the rolled forward encumbered budget dollars from FY 07/08:* Ms. Donner made a motion, seconded by Mr. Ryan, to recommend the County Board approve a Resolution authorizing an emergency appropriation to re-appropriate into FY 08/09 the rolled forward encumbered budget dollars from FY 07/08. Mr. Sarbaugh reviewed the proposed Resolution which allows for encumbered budget dollars from FY 07/08 to be re-appropriated into the current fiscal year. He stated that during the process all open encumbrances are looked at as part of the final close-out to the budget

year. He noted that in addition to the proposed re-appropriated funds, purchase orders for two departments were canceled in error. To address this situation, it was agreed that new purchase orders would be created for the 09 budget and should these departments run out of budget the situation would be rectified. After discussion a roll call vote was called. The motion carried with all members present voting aye on a roll call vote (Breedon, Orphal, Donner, Ryan and Munaretto).

*Budget Line Item transfer Resolutions:* (1) Resolution authorizing a budget line item transfer in the Tuberculosis Fund FY 08 budget; (2) Resolution authorizing a budget line item transfer in the FY 08 budget between General Fund Departments Non-Departmental and County Coroner; and (3) Resolution authorizing a budget line item transfer from the General Fund Non-departmental FY 08 budget to the County Clerk-elections General Fund FY 08 budget: Mr. Ryan made a motion, seconded by Ms. Orphal, to recommend the County Board approve the three budget line item transfer resolutions as presented. Mr. Sarbaugh explained that emergency appropriation resolutions are done when a department has not budgeted for the funds and need to increase their budget. Emergency appropriation resolutions require a 2/3rds vote by the Board. Budget line item Resolutions are requested when a department runs out of funds in one line item and has funds available in another line item that can be transferred without increasing the budget for the department. On a roll call vote, the three Resolutions were approved with all members present voting aye (Ryan, Breedon, Orphal, Donner and Munaretto).

*Resolution authorizing Citrix Software 24X7X365 support contract:* Ms. Orphal made a motion, seconded by Mr. Breedon, to recommend the County Board approve a Resolution authorizing Citrix Software 24X7X365 support contract. It was noted that this was approved at the Management Services Committee today. After discussion, the motion carried with all members present voting aye on a roll call vote (Ryan, Breedon, Orphal, Donner and Munaretto).

*Review of 9/8/08 Financial Presentation to the County Board:* Chairman Munaretto stated that with the current state of the economy it is important to take a look at our overall revenues and expenditures in order to manage our finances. He reported he will be attending a monthly meeting with Administration to have a dialogue of what financial issues/problems we need to address and if there is a problem what does it mean in dollars and cents. Mr. Austin reported that there is a general concern about where we are with our revenues. He noted that we did scale back, but it is important to "keep our eyes wide open" and be aware of steps that may need to be taken to address falling revenues and control additional costs. Mr. Breedon stated it is his personal opinion that we cannot take a "wait to see approach before action is taken". He stated we must stay in front of the problem and not chase it. He added that our view cannot be short-term, as it is important to have the framework in place to insure that we have funds available to move forward in years ahead. Chairman Munaretto commented that Mr. Breedon makes a good observation, noting the importance of the Financial Model in predicting "what ifs." He noted there are even greater issues that we must be thoughtful about. Ms. Orphal noted that we must look at the things that can be done to "stop the bleeding" and the vehicle policy is a good step forward. She stated we currently have many things already in place to monitor spending. Mr. Sarbaugh stated the first meeting will look at concerns and tracking of revenue streams. Declining revenue streams present problems that must be monitored and the monthly meetings will provide a team effort in forming ideas and concepts to address concerns. The process will be thoughtful and will lay a framework for next steps in measuring revenues and managing the impact to the budget process. Chairman Munaretto will provide reports on these meetings to the Committee.

*Discussion – 2-year Committee work plan:* Chairman Munaretto distributed a proposed 2-year work plan for the Committee and asked members if they had any thoughts or ideas for additional items to include. Items proposed included general financial training on the conduct of government finance and budget; financial model tracking for Valley Hi in coordination with the Valley Hi Committee; examine the defeasance of Valley Hi bonds; monthly assessment of county finances; a discussion of the role of the Finance and Audit Committee in funding decisions in the Transportation Committee; and consider a 5-year financial model for the jail. He stated as part of the debt policy a meeting was held with the Mental Health Board to sort out issues pertaining to leases and other borrowings which the revised Debt Policy addresses. He stated the next step is to enter into a memo of understanding with the Mental Health Board to establish our responsibilities and their responsibilities. Chairman Munaretto stated that it is hoped that we can again avoid the issuance of Tax Anticipation Warrants and perhaps consider an internal loan instead of TAWs. This will be discussed further at a meeting schedule at 8:30 am this coming Friday. Chairman Munaretto commented that the Budget Advisory was a group originally comprised of employees, staff and County Board members. The Budget Advisory now is part of the Chairman's Advisory

Legislative Forum (CALF) and issues will need to be addressed as part of the CALF. The increased relationship between the Finance and Audit Committee and the Transportation Committee will provide a better connection on large projects and collaboration on decisions to release RTA sales tax dollars. Chairman Munaretto stated the idea regarding consideration of a 5-year financial model would provide a better understanding of the financial impact of an increase versus a decrease in detainees. This suggestion was not well-received by the Sheriff at this time and it will be up to the Committee to decide if they wish to move forward. Mr. Ryan stated it is important to be careful in how we approach department heads when presenting these ideas. Chairman Munaretto agreed that it is important to fully explain objectives. He asked members to let him know of any additional thoughts or ideas they may have for the two year plan, noting this document will change over time.

Mr. Sarbaugh commented that during a recent Leadership Training Class it was reported that great concern has been raised with schools/education and the impact of the property extension plan. This will be an issue that will need to be addressed with a better understanding of the tax cap limitation.

REPORTS TO COMMITTEE:

Ms. Orphal reported that as the newly appointed liaison to the Economic Development Corporation she recently attended her first meeting and noted several exciting ideas including a new marketing program and a contract with IMRF. She added that a contract for a new president is being discussed.

*Auditor:* Ms. Palmer stated she had nothing to add at this time.

*Contingency:* Reports were distributed along with an update on the Merit Distribution.

EXECUTIVE SESSION: None.

ADJOURNMENT

Noting no further business, Ms. Orphal made a motion, seconded by Mr. Ryan, to adjourn the meeting at 11:30 a.m. The motion carried with a unanimous voice vote.

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**RECOMMENDED FOR BOARD ACTION:**

- Resolution authorizing acceptance of the Veterans Lottery Grant and an emergency appropriation to the Veterans Assistance commission 2009 budget
- Resolution authorizing the purchase of six (6) Sheriff Detective vehicles
- Resolution authorizing budget line item expenditures in the Valley Hi Enterprise Fund FY 08/09 budget
- Resolution rescinding Resolution No. R-200603-12-058
- Resolution authorizing workers' compensation claim settlement
- Resolution authorizing an emergency appropriation to re-appropriate into FY 08/09 the rolled forward encumbered budget dollars from FY 07/08
- Resolution authorizing a budget line item transfer in the Tuberculosis Fund FY 08 budget
- Resolution authorizing a budget line item transfer in the FY 08 budget between General Fund Departments Non-Departmental and County Coroner
- Resolution authorizing a budget line item transfer from the General Fund Non-departmental FY 08 budget to the County Clerk-elections General Fund FY 08 budget
- Resolution authorizing Citrix Software 24X7X365 support contract
- Resolution authorizing amendments to the Debt Policy

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