

Minutes of the Finance Committee

The Finance Committee of the McLean County Board met on Wednesday, March 5, 2008 at 7:30 a.m. in Room 400 of the Government Center, 115 East Washington Street, Bloomington, IL.

Members Present: Chairman Selzer, Members Butler, Rackauskas, and Moss

Members Absent: Members Clark and Owens

Other Members Present: None

Staff Present: Mr. John Zeunik, County Administrator; Mr. Terry Lindberg, Assistant County Administrator and Ms. Judith LaCasse, Recording Secretary, County Administrator's Office

Department Heads/
Elected Officials

Present: Mr. Don Lee, Director, Nursing Home; Mr. Lee Newcom, County Recorder; Ms. Jackie Dozier, County Auditor

Others Present: Ms. Carol Ash, Internal Auditor, County Auditor's Office; Ms. Michelle Anderson, Financial Reporting Specialist, County Auditor's Office; Ms. Chris Colaw, Accounting Specialist, County Auditor's Office

Chairman Selzer called the meeting to order at 7:38 a.m.

Chairman Selzer presented the minutes from the February 6, 2008 Finance Committee Meeting and the January 15, 2008 Stand-Up Meeting to the Committee for approval. Hearing no corrections to those minutes, Chairman Selzer advised that the minutes would stand approved as presented.

Mr. Don Lee, Director, Nursing Home, presented his Monthly Report, noting that there is nothing significant on the report.

Chairman Selzer asked what does "Avg. Bed Hold" mean on the report. Mr. Lee replied that this reflects residents of the facility who are currently in the hospital.

Chairman Selzer asked if there were any questions or comments. Hearing none, he thanked Mr. Lee.

Chairman Selzer presented the EAV Report and Assessment Status Report as submitted by Mr. Bob Kahman, Supervisor of Assessments. There were no questions on the reports.

Ms. Jackie Dozier, County Auditor and Ms. Carol Ash, Internal Auditor, County Auditor's Office, presented a Credit Card Purchase Audit Report. Ms. Ash indicated that this is the Credit Card Purchase Audit for FY'2006 and FY'2007, as well as the first two months of FY'2008.

Ms. Rackauskas asked what do the Findings reflect and how can they be corrected. Ms. Ash replied that, when new people start, sometimes they are not instructed to sign the authorization form to be eligible to use that Department's credit card. She advised that the files need to be updated with new User Agreements when new employees are hired.

Chairman Selzer asked if these unauthorized charges were brought to the attention of the Department heads. Ms. Ash replied that Department heads were notified.

Chairman Selzer asked if there were any other questions, Hearing none he thanked Ms. Dozier and Ms. Ash.

Mr. Lee Newcom, County Recorder, presented his Monthly Report. There were no questions on the report.

Mr. John Zeunik, County Administrator, presented a request for approval of an Ordinance authorizing the Approval of the Issuance of certain Collateralized Single Family Mortgage Revenue Bonds and certain documents in connection therewith; and related matters. He explained that the County has participated in this State-wide program to provide low-interest mortgages to first-time homebuyers for a number of years. Mr. Zeunik advised that, last fall, the Committee and the Board recommended approval to participate in the program this year. He noted that the Packet contains the Ordinance approving the issuance of Collateralized Single Family Mortgage Revenue Bonds for this program. Mr. Zeunik indicated that statistical reports on the number of mortgages and the location of the homes purchased under the Program are provided to the County by the investment banking firm that issues the bonds. He stated that there has been excellent participation in McLean County over the years that the County has been involved.

Motion by Moss/Rackauskas to Recommend Approval of an Ordinance Authorizing the Public Approval of the Issuance of certain Collateralized Single Family Mortgage Revenue Bonds and certain Documents in connection therewith; and related matters.

Ms. Rackauskas asked what type of down-payment is being used on these low interest home loans. Mr. Zeunik replied that there are a number of different options available under this program. The loans are made through lending institutions in the County, such as banks and savings and loans. Mr. Zeunik indicated that, because they sell the tax exempt bonds, they are able to offer the mortgage at a lower interest rate. He reiterated that this program is for first-time home buyers. Mr. Zeunik added that there are also income limits in terms of qualifications and in terms of price of an existing home or a new home. Mr. Zeunik advised that a number of different programs are offered to first-time home buyers, including:

- Reducing the down-payment so that they don't have to come up with as much money;
- Covering closing costs;
- Cash assistance to cover application fees and costs.

Ms. Rackauskas asked if there is a way to track the previous homes purchased on this Program to see if there are any foreclosures. Mr. Zeunik replied that the County usually receives a quarterly listing of the loans that have been approved and made in McLean County. The listing is by address throughout the County. Mr. Zeunik indicated that the address could be matched against any foreclosure information on those homes.

Ms. Rackauskas expressed concern with this program in light of the national foreclosure issue. She was particularly concerned for the individuals who buy a home with no down-payment and who may end up owing more on a house than it is worth should they have to sell the home. Chairman Selzer replied that this Program addresses many of the potential foreclosure problems. This program provides fixed-rate loans to the homebuyers. Therefore, the interest rate on the loan doesn't increase overnight, as has happened with the sub-prime loans.

Ms. Rackauskas recommended that the program be critiqued and evaluated. Mr. Zeunik replied that he will get additional data on the number of loans and foreclosure information.

Mr. Butler asked who subsidizes this program. Mr. Zeunik replied that the subsidy comes from the structuring of the bond issue. As a non-home rule County, McLean County does not have authority on its own to issue these types of bonds. The State of Illinois holds the allocation for non-home rule Counties for issuance of Single Family Mortgage Revenue Bonds. Mr. Zeunik indicated that the County tells the State of Illinois that we will not use our authority for any other purpose and then requests that the State of Illinois allocate the County's allocation towards the consolidated bond issue. He noted that Stern Brothers is the investment banking firm. Mr. Zeunik indicated that Stern Brothers gets a number of other Counties throughout Illinois plus a number of Cities and Municipalities to pool their individual allocations to size this bond issue. Stern Brothers is then able to issue a very large bond issue. Included in this bond issue is money that goes back to each County and each participant for loans in their County, as well as any additional incentives that might be needed. He stated that the difference in terms of the advantage to the borrower is that, because it is a tax exempt issue, they are able to sell it at a lower interest rate than a taxable bond. That savings is passed on to the lending institutions who can then provide the loans at a lower rate and have funds available for the other incentives that are part of the program.

Mr. Zeunik indicated that if the County did not participate in this program, the State would have the authority to use our allocation for some purpose they might have. If the County were not involved in this program, it would have to go to the State to ask for authority to use our allocation for another purpose that would be consistent with the IRS Code in terms of Private Activity Tax Exempt Revenue Bonds.

Chairman Selzer asked for a vote on the motion.

Motion carried.

Mr. Zeunik presented a request for approval to retain Alliance Benefit Group of Indiana to assist the County with the reporting requirements of GASB 43 and GASB 45. He explained that the Government Accounting Standards Board (GASB) issued GASB Statement No. 43 entitled "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" in April, 2004. In June, 2004, GASB issued GASB Statement No. 45 entitled "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions." Mr. Zeunik stated that the purpose of these pronouncements is to require public entities to calculate and disclose the potential future cost of benefits paid to retirees.

Mr. Zeunik indicated that, based on implementation guidelines set out by GASB, McLean County is required to implement GASB 43 and GASB 45 for the fiscal year ending December 31, 2008. Based on the level of expertise required for compliance, the County needs to retain an actuarial firm to complete the required evaluation. Mr. Zeunik advised that GASB only requires the calculation to be done biannually, assuming no significant changes were to occur in the off year. The County is proposing a four year agreement with Alliance Benefit Group, with the option to renew for another four years, if both parties agree. Mr. Zeunik noted that, after determining the level of interest among qualified firms, 13 Request of Proposals were distributed. Six firms submitted technical and cost proposals on February 19, 2008.

Mr. Zeunik reported that a committee comprised of representatives from the County Auditor's Office, the Treasurer's Office, and the County Administrator's Office reviewed all technical proposals for compliance with mandatory technical requirements listed in the RFP and determined that all six were qualified. He stated that the technical review committee then reviewed the technical proposals, based on the proposed scope of services, the firm's knowledge and expertise, staff's qualification and experience, and assurance the firm adheres to HIPPA guidelines. The committee agreed that all six firms met the technical requirements set forth in the RFP.

Mr. Zeunik advised that, after technical plan reviews were completed, the separate sealed cost proposals were opened and reviewed. He indicated that all respondents were asked to provide all inclusive fee reports for the first and third year of the contract and to provide review fees and full actuarial evaluation fees for the second and fourth years of the contract. Proposed prices ranged from \$15,500.00 to \$33,600.00.

Mr. Zeunik noted that the firm that the review committee found to be superior with their technical proposal was Alliance Benefit Group. He noted that their four year, all inclusive price would be \$18,600.00, assuming only a review is necessary in the off years. Mr. Zeunik pointed out that, once the first report is done, it would not be necessary to do a full actuarial study the second year. He indicated that McLean County doesn't offer many post-employment benefits. For example, the County does not provide employer subsidized health insurance to a large group of employees. The only employees who receive employer subsidized health insurance are the Sheriff's Deputies, pursuant to a provision in State law.

Motion by Rackauskas/Moss to recommend approval to Retain the Actuarial Firm of Alliance Benefit Group of Indiana to assist in implementing GASB 43 and GASB 45.

Mr. Butler asked how many County employees receive post retirement benefits. Mr. Lindberg replied that the Deputies are the only employees who receive post retirement benefits. He added that there are approximately 12-15 employees that fit that category at this time. Mr. Lindberg stated that the actuary has to look at the possibility of changes in that number with respect to employees who may be part of that number in the future.

Mr. Lindberg advised that, although the County is required by the GASB pronouncements to calculate and report this number, we are not required to reserve for it or to fund it.

Mr. Lindberg stated that one of the issues with this mandate, and with the earlier GASB 34 pronouncements, is that GASB wanted the users of the financial statements to have more information than they were getting. He noted that this made the County Financial Reports look more like private company financial statements.

Mr. Butler pointed out that McLean County currently has only 12-15 employees that receive post employment benefits and an unknown number in the future. He expressed concern that the cost of hiring an actuarial company for this few people is very expensive. Mr. Lindberg replied that GASB mandates that an outside actuarial service provide the report.

Mr. Lindberg advised that there is a high degree of unrest among governmental finance professionals against these GASB pronouncements.

Mr. Moss asked if it is typical not to have someone on payroll with the actuary expertise to handle these types of report. Mr. Zeunik replied that it is cost prohibitive to have someone on payroll to handle the few instances that expertise is needed. He pointed out that the only other time the County uses an actuarial firm is for the Risk Management Fund. An actuarial study is completed every five years to look at the self-insured lines of insurance and to look at what the County is reserving against the claims that have been filed for liability, property, worker's comp, etc.

Chairman Selzer asked for a vote on the motion.

Motion carried.

Mr. Zeunik presented a request for approval of a Codification Services Proposal and Agreement with General Code, LLC. He asked Mr. Lindberg to review the item.

Mr. Lindberg stated that the County Administrator's Office and State's Attorney Civil Division support staff have attempted to organize and maintain the County Ordinances over the years, but have never engaged the services of a professional organization that specialized in ordinance codification. He advised that such an effort will benefit users by making it easier to find accurate information, and benefit staff by providing ongoing support and a blueprint for maintaining the County Code in the future.

Mr. Lindberg indicated that the cost of this project, \$19,180.00, is included in the 2008 budget. He noted that the hard-copy portion of the deliverables includes 45 bound copies of the updated County Code. Mr. Lindberg stated that the research, editing and final preparation of the hard copy is priced at \$17,685.00. He advised that the total project cost also includes \$1,495.00 to acquire software entitled *PC/CodeBook*, a searchable software based version of the Code, and E-Code, an internet version of the Code that will also provide search and download capability for users of the McLean County website.

Mr. Lindberg recommended the services of General Code, LLC based on their overall price proposal and the comprehensive suite of technology-based support services offered by the firm.

Chairman Selzer asked if the Code will then be automated. Mr. Lindberg replied that it will be automated to search any item by words or phrases, and it will also be on the Internet so other users and interested parties can conduct searches. Chairman Selzer asked if outdated Codes will be found and eliminated. Mr. Lindberg replied that they will find and make suggestions on outdated Codes. It will be up to the County Board to determine if the Codes need to be eliminated. He indicated that the County Administrator's Office will very likely bring a list back to the Committee on Codes that need to be either eliminated or updated.

Chairman Selzer expressed his support of this project.

Ms. Rackauskas asked for clarification on this project. Chairman Selzer replied that someone will come in and go through the current Codes and Ordinances and automate them. He added that if a Statute is no longer relevant, it will be brought to the attention of the staff to have the appropriate Committees take appropriate action.

Mr. Zeunik pointed out the County has several Ordinances, including:

- Zoning Ordinance;
- Subdivision Ordinance;
- Personnel Ordinance;
- Purchasing and Contracting Ordinance;
- Raffle License and Ordinance.

Mr. Zeunik noted that not all of these Ordinances exist in one place. The purpose is to have all of the County Ordinances codified in one place so that it would be easy to pull up any Ordinance.

Ms. Rackauskas asked how does Bloomington and Normal do their Codes. Mr. Zeunik replied that Normal's Codes are codified. Mr. Moss stated that Bloomington's Codes are listed on their Website.

Ms. Rackauskas asked how the Coding will be maintained. Mr. Lindberg replied that it will be maintained by staff in the Administrator's Office. He added that this firm will come in twice a year to do an oversight check and review.

Motion by Butler/Rackauskas to recommend approval
of a Codification Services Proposal and Agreement
with General Code, LLC.
Motion carried.

Chairman Selzer asked if there were any additional comments. There were none.

Chairman Selzer presented a request from the Auditor's Office for a line item transfer from Line Item No. 0769.0001, Interest Expense, to Line Item No. 0808.0002, Lease/Purchase Building in the amount of \$28,561.00 for the Government Building-Debt Service.

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Motion by Moss/Butler to recommend approval of a Line Item Transfer in the amount of \$28,561.00 for the Government Building-Debt Service.
Motion carried.

Chairman Selzer presented the February 29, 2008 Finance Committee bills for review and approval as transmitted by the County Auditor. The Finance Committee bills include a Fund Total of \$990,859.19 with a Prepaid Total the same and the Nursing Home Fund Total is \$538,587.97 with a Prepaid Total the same.

Motion by Butler/Moss to recommend approval of the Finance Committee bills as of February 29, 2008 as recommended by the County Auditor.
Motion carried.

Chairman Selzer presented the Treasurer's Monthly Financial Reports as submitted by Ms. McNeil. He pointed out the following highlights of the Summary of Retailers Occupation Tax, State Income Tax and Personal Property Replacement Tax Revenue Report for the month February 29, 2008:

- Retailers Occupation Tax Revenue Year to Date is \$973,220.20, which is 6.31% above last year and 16.49% of budget.
- State Income Tax Revenue is \$375,535.92, which is 15.52% above last year and 20.29% of budget.
- Personal Property Replacement Tax Revenue is \$238,161.33, which is 21.90% above last year and 14.09% of budget.

Chairman Selzer pointed out that many of the CD's are invested at an interest rate of approximately 5%.

Motion by Moss/Butler to accept and place on file the Month-end Financial Reports from the County Treasurer's Office for the month ending February 29, 2008, as submitted.
Motion carried.

There being nothing further to come before the Committee at this time, Chairman Selzer adjourned the meeting at 8:15 a.m.

Respectfully Submitted,

Judith A. LaCasse
Recording Secretary