

Minutes of the Finance Committee Meeting

The Finance Committee of the McLean County Board met on Tuesday, May 6, 2003 at 4:00 p.m. in Room 700 of the McLean County Law and Justice Center, 104 W. Front Street, Bloomington, IL 61701.

Members Present: Chairman Sorensen, Members Berglund, Nuckolls, Moss, Selzer and Kinzinger

Other Members Present: Member Hoselton

Members Absent: None

Staff Present: Mr. John M. Zeunik, County Administrator; Ms. Lucretia Wherry, Human Resources Assistant; Ms. Christine Northcutt, County Administrator's Assistant

Elected Officials/
Department Heads: Mr. Don Lee, Director, Nursing Home; Ms. Becky McNeil, County Treasurer, Mr. Bob Keller, Director, Health Department, Mr. Jack Mitchell, County Engineer

Others Present: None

Chairman Sorensen called the meeting to order at 4:01 p.m.

The minutes of the April 1, 2003 Finance Committee meeting were accepted and placed on file as presented.

Chairman Sorensen moved on to Departmental Matters. Mr. Bob Kahman, Supervisor of Assessments, was not present at the meeting, but his report was distributed in the agenda packets. There were no questions regarding the Supervisor of Assessments status report.

Chairman Sorensen introduced Ms. Becky McNeil, County Treasurer. Ms. McNeil introduced Ms. Cathy Dreyer, the new Assistant Treasurer. Ms. McNeil informed the Committee that Ms. Dryer is a graduate of Augustana University with a degree in Accounting.

Ms. McNeil stated that she would like to go through the General Fund Report first. She reported that at the end of April revenue was at 21.84% and expenditures were at 28.95%.

Ms. McNeil stated that April is typically the last month where you will see expenditures exceed revenue. At the beginning of May 59,000 tax bills were sent out. The County will begin to see property tax revenue coming in this month. The General Fund fund balance is at \$2,803,573.01. The fund balance is comprised of Cash and Investments, which total (\$38,049.89), and Receivables which total \$3,135,289.13.

Chairman Sorensen asked if the Finance Committee should be concerned about the very low Cash and Investments balance. Ms. McNeil replied that the Cash and Investments balance fluctuates throughout the month. In fact, the balance in that account today is around \$300,000.00, because of a large number of turn-ins that were received at the beginning of the month from various departments.

The next report is a summary of State of Illinois receivables as of April 30, 2003. This is an update of what Mr. Zeunik presented at the last County Board Meeting. Total receivables due from the State of Illinois is nearly \$1.3 million. The Nursing Home figure is not available yet this month. Mr. Don Lee, Director of the Nursing Home estimates that it is around \$637,000. Ms. McNeil will provide Mr. Zeunik with an updated copy before the Executive Committee meeting.

The next report is the summary of Retailer's Occupational Tax (ROT), State Income Tax and Personal Property Replacement Tax (PPRT). Ms. McNeil stated that she displayed an overall comparison at the top of the report showing YTD totals for 2002 and 2003. The balance is down nearly \$110,000.00. Mr. Selzer asked how long ago Farm & Fleet was annexed to the City of Bloomington. Mr. Zeunik replied that the City Council approved the annexation in June, 2002. Ms. McNeil stated that the numbers are right on target with what is budgeted for the year.

The final report is the Treasurer's General Pooled Investment Account. CD's are invested at an interest rate of 1.5% - 2.0%. There were four CD's that matured this month one of which was cashed in due to the need for cash or the Cash and Investments position would have been even lower. The other three were renewed at between 2.0% - 2.5%.

Motion by Selzer/Berglund to accept and place on file the County Treasurer's Statement of Revenue, Expenditure and Fund Balance Report, as of April 30, 2003, and the Treasurer's Investment Report. Motion carried.

Mr. Don Lee, Director, Nursing Home stated that he has nothing for action but, that the general reports should have been distributed with the agenda packet. The month of March was basically a break-even month for the Nursing Home. Census figures are up from the previous month. The Nursing Home ended the month of March at an average census of 134. The month of April will reflect an occupancy of 138.

Mr. Selzer stated that he sees 13 or 14 vacancies on average. Mr. Selzer asked if there is staff in place to handle that many people if they applied or is the Nursing Home turning people away.

Mr. Lee replied that one wing is classified as a lighter care wing so its staffing level is less than on the other two wings. It would not be an offset to add staff because the census fluctuates throughout the month and it costs more to have that many staff in place. Mr. Selzer asked if there would always be vacancies. Mr. Lee replied that is true, because over the last couple of years people have found other options for light care patients. There were no further questions for Mr. Lee.

Ms. Jennifer Ho, Director, Risk Management presented a first quarter Risk Management Fund report. Ms. Ho explained that she has two tables which represent the claims experience for the first quarter. The tables show that, thus far, 2003 has been one of the lowest claim years in the last five years. There have only been five worker's compensation claims filed this year. The other graphs are a break down of the worker's compensation claims by cost per claim, per year and number of claims per year since 1996.

Ms. Ho continued that, in 2001, the Risk Management department had a full-time claims assistant. This individual aided the department by taking care of small claims in-house. That lowered the number of claims that a third party claims administrator had to handle for the year. Overall claims filed from 1997 to present is below average. In 1999, there was a large case that had to be settled and that is reflected in the graph that depicts total cost per year.

Chairman Sorensen informed the Committee that he would like for the County Administrator present his items before the Committee goes into Executive Session to discuss a personnel matter.

Mr. Zeunik stated that the first item is an update of the CDAP Revolving Loan Fund Recapture Guidelines. Mr. Zeunik informed the Committee that he had received a memo from Ms. Lorraine Wareham of the Department of Commerce and Economic Opportunity stating that McLean County is required to update their CDAP guidelines. The major change is the increase in the amount of revolving loans per job created. This changes from \$10,000.00 per job created to \$15,000.00 per job created. Mr. Zeunik advised the Committee that he had included a copy of the updated guidelines in their agenda packets. He requested that the Committee approve the new guidelines so that they can be included in the revolving loan fund manual and sent to the McLean County Economic Development Council (the "EDC"). The EDC is the entity which initially receives the applications and is the first step of the application process. Mr. Sorensen asked Mr. Zeunik if the Finance Committee's role changes in this process. Mr. Zeunik replied that it will not.

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Motion by Berglund/Kinzinger to approve the new
CDAP Revolving Loan Fund Recapture Guidelines.
Motion carried.

Mr. Zeunik stated that the next item is a request to approve a CDAP revolving loan. It is a request that this Committee has not seen before. The current guidelines provide that McLean County, as the Administrator of the CDAP Revolving Loan Program, can also be an eligible borrower, but only for infrastructure improvements. McLean County is interested the dryvit panels on the 200 W. Front Street building. The building houses the Health Department, the Children's Advocacy Center, and a number of private tenants. The County has developed blue prints for this project and solicited bids to complete this project. When this project was approved by the Property Committee, the County did not anticipate the severe cash-flow problems which we are currently experiencing. On March 21, 2003, Mr. Zeunik sent a letter to Ms. Wareham asking to waive the job creation guidelines and permit the County to be an eligible borrower to provide 50% funding for this project. Ms. Wareham submitted a request for breakdown of the proposed funding. That information was provided. On April 23, Ms. Gail Hedges, Interim Manager, sent a letter granting approval to the County's request. Mr. Zeunik advised the Committee that a term sheet has been provided in their agenda packets. The amount to be borrowed is \$346,292.00. It is a 20-year loan at an interest rate of 3%. The security would be repayment from the lease revenue stream. Currently, the 200 W. Front Street building generates a positive cash flow because of the mix of tenants in the building. There is sufficient funds coming in to be able to pay this loan back over 20 years. Mr. Zeunik informed the Committee that Mr. Keller is available to answer any questions that they may have.

Mr. Keller stated that the Health Department provides many services to low and moderate income families such as family case management, WIC, communicable disease services and others. The 200 W. Front Street building has gone through a number of minor repairs. The exterior leaks profusely. It has caused some damage to interior of the building which was upgraded in 1998 when the building was purchased. This will continue if something is not done to the exterior of the building. Mr. Keller pointed out that the interest rate on this loan is favorable and he feels it that it would be a good financial move.

Mr. Kinzinger asked where the revenue from rent on the building is going presently. Mr. Zeunik stated that it goes into a capital improvements line. The Property Committee discussed allowing the fund balance to grow and using the cash to make this improvement. However, the panels on the penthouse of the building have deteriorated to the point that they are now not repairable. The original request was going to be just replacing those dryvit panels with some other material. The Property Committee came to

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the conclusion that this is an ongoing problem that is not going to improve and that the all of the dryvit panels should be replaced. Mr. Kinzinger asked how long will the new exterior last. Mr. Zeunik replied that the Property Committee has recommended replacing the dryvit with metal panels similar to what is on the Law and Justice Center. There have been no problems with any of these panels, which are original to the building. There is also some sub-structure damage below the dryvit, which will need to be replaced. The exterior and interior of the building are tied together in a way that they are supporting each other.

This will also need to be corrected.

Chairman Sorensen stated that it is the Finance Committee's responsibility to approve only the financial aspect of the plan. He asked Mr. Zeunik if he could update the Committee on the status of the CDAP Revolving Loan Fund. Mr. Zeunik replied that the fund balance as of April 30, 2003 is \$757,060.83. There are only two outstanding loans which are both current. All other loans have been paid off and that is why the fund balance is as high as it is. Mr. Zeunik stated that Mr. Rick Nolan of the EDC has reported that he presently has no other prospects. Mr. Nuckolls asked how much revenue the 200 W. Front Street generates per year. Mr. Zeunik responded that the fiscal year 2003 capital improvement appropriation is \$83, 491.00. Chairman Sorensen stated that the debt service on this loan is around \$23,000.00 per year. Mr. Keller stated that if there are not any other significant capital expenses, the loan could be paid off in four years. Mr. Zeunik stated that if this does get approved, the County would add a line item in the budget which would reflect the repayment to the CDAP Revolving Loan Fund.

Motion by Nuckolls/Selzer to Accept and Approve
the CDAP Revolving Loan Application for the 200
W. Front Street Infrastructure Improvement project.
Motion carried.

Chairman Sorensen asked if there was any other follow-up that needs to be taken care of, such as the environmental check, etc. Mr. Zeunik stated that is the architect's responsibility and will be done. Mr. Keller stated that was all done when the building was purchased.

Chairman Sorensen asked for a motion to enter into Executive Session to discuss County Highway Department personnel matters.

Motion by Selzer/Kinzinger to enter into Executive Session
to discuss Personnel Issues at the McLean County Highway
Department. Member Hoselton and the following administrative Staff
are included in the Executive Session: Mr. Jack Mitchell, Mr. John
Zeunik, Ms. Lucretia Wherry, and Ms. Christine Northcutt. Motion
carried.

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Motion by Kinzinger/Berglund to return to Open-Session
at 5:30p.m. Motion carried.

Chairman Sorensen stated there was one last item for business, which is a request for approval of proposed Resolution for Establishing the Budget Policy for fiscal year 2004. Mr. Zeunik stated that this is presented every May to the Finance Committee. The Finance Committee recommends approval to the Executive Committee. The Executive Committee then assembles the final budget, which is presented to the County Board in November. The County's equalized assessed valuation will likely increase for the 2004 budget 7% -

8%, because 2003 is a quadrennial reassessment year. Other large General Fund revenue sources such as Personal Property Replacement Tax, State Income Tax and Sales Tax probably will not increase and may even decrease. The actual budget policy is the same as it was last year. There have been no changes to the policy, except for the presentation of the budget, which has been moved back from October to September. Mr. Zeunik explained that the benefit of presenting it in October was that the County had 9 months of actual revenue and expense numbers to review.

Mr. Selzer asked Mr. Zeunik if President Bush gets the tax cuts that he has recommended, will that aid the sales tax revenue. Mr. Zeunik replied that sales tax growth, before the economic slow down and the events of 9-11, would typically increase 6% - 7% per year. McLean County will probably see some increase next year, but probably closer to a 3½% to 4% increase. Mr. Selzer stated that he wonders how much sales tax revenue is lost due to purchases made via the internet. Mr. Zeunik noted that there is no question that internet transactions have had an impact on sales tax dollars. Mr. Zeunik advised the Committee that this is a federal issue that we cannot address at the County or State level. McLean County has one of the highest usage of internet / personal computers per capita of any County in the Country.

Chairman Sorensen stated that he would like to see a list, from department heads, of the core services that they provide to the public. Chairman Sorensen suggested that the departments cite the State statute that mandates that they must provide that service.

Mr. Selzer stated that there might be the ability to combine services and, perhaps, eliminate positions in doing so. Chairman Sorensen noted that part of the problem is that each office autonomous and that may not be feasible. Department heads need to be aware that if the Board comes back next June and each department has to cut 10%, they will probably want to start with the things that they do which are not mandated.

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Chairman Sorensen continued that there are two issues with Mr. Zeunik's budget that the Committee may want to consider. First, does this Committee want to require some type of basic formal planning from each department head. Second, does the Committee want to reinstitute the replacement policy for employees. It was done mid-year last year, but only lasted until through the end of 2002.

Mr. Zeunik stated that the budget issues that the County is most concerned with will be in the General Fund. That is the County's largest fund and it experiences the most financial stress.

Chairman Sorensen stated that there is a draft budget policy in front of the Committee. Chairman Sorensen asked Mr. Zeunik when is the department head meeting. Mr. Zeunik replied that the annual budget preparation begins on begin May 30th and the County Board must approve this policy on May 20th. Chairman Sorensen stated that the Finance Committee could make a recommendation of to begin planning process independent of the budget policy.

Chairman Sorensen asked the Committee how they felt about the employee replacement policy. Mr. Kinzinger stated that he was under the impression that it was still in effect and that he would support reinstating it. Mr. Selzer stated that he agreed. Mr. Zeunik stated that this procedure was instated last year as a part of an adjustment based on a decrease in revenue compared to what was budgeted. The one thing that is important to remember is how our collected revenues are as compared to what is budgeted. Expenses are being controlled. They are 5% below budget. The Sheriff's Department is going to be experiencing a number of retirements. There are 2-3 coming in the near future that are patrol officers as well as command staff. Sheriff Owens will be back needing to fill positions on a regular basis. Mr. Selzer asked if Sheriff Owens could present several openings at one time, rather than coming back each month. Mr. Selzer stated that he would rather see them go to their Oversight Committee than to Finance, because it opens a dialogue between committee and department head.

Chairman Sorensen reminded the Committee that last year when the employee replacement policy was put in place, all department heads had to report to the Finance Committee, rather than their Oversight Committee. Mr. Kinzinger said that he thought it was a good idea to have department heads report to their Oversight Committees. Mr. Zeunik stated that what he is presenting is the proposed budget policy for 2004. If the Committee wishes to pass a resolution to reinstate the hiring freeze policy, they would do that separate from the budget policy resolution.

Motion by Selzer/Berglund to recommend approval
of the Resolution Establishing the Budget Policy for
2004 as presented by the County Administrator. Motion carried.

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Chairman Sorensen informed the Committee that there would be an item for a stand-up meeting at the May County Board Meeting. The stand-up item is a request to reclassify a position in the Veteran's Assistance Commission to a lower salary grade. Ms. Lucretia Wherry from the Administrator's office handed out an informal request for the Committee's information.

Chairman Sorensen presented the bills from the Nursing Home. The fund total and prepaid total are the same at \$404,163.31. The Finance Committee fund total is \$622,785.75 with the prepaid total being the same.

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Motion by Moss/Kinzinger to recommend approval of the
Bills as presented to the Finance Committee by the County
Auditor. Motion carried.

There being nothing further to come before the Committee at this time, Chairman
Sorensen adjourned the meeting at 6:00 p.m.

Respectfully submitted,

Ms. Christine Northcutt
Recording Secretary

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