

Minutes of the Finance Committee Meeting

The Finance Committee of the McLean County Board met on Tuesday, February 4, 2003 at 4:00 p.m. in Room 700 of the McLean County Law and Justice Center, 104 West Front Street, Bloomington, Illinois.

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

Members Absent: None

Staff Present: Mr. John M. Zeunik, County Administrator; Mr. Terry Lindberg, Assistant County Administrator; Mrs. Carmen Zielinski, Administrator's Office

Elected Officials/

Department Heads: Mr. Don Lee, Director, Nursing Home; Ms. Jennifer Ho, Risk Manager; Mr. Bob Kahman, Supervisor of Assessments; Ms. Jackie Dozier, County Auditor; Mr. Bob Keller, Director, McLean County Health Department; Ms. Jan Morris, Health Promotion Program Manager; Ms. Becky McNeil, Assistant County Treasurer; Mr. Craig Nelson, Director, Information Services

Others Present: None

Chairman Sorensen called the meeting to order at 4:07 p.m.

The minutes of the January 7, 2003 Finance Committee meetings were accepted and placed on file as presented.

Mr. Don Lee, Nursing Home Administrator, briefly discussed the Nursing Home's Monthly Report. Mr. Lee stated the one of the reports presented shows that the Nursing Home has a \$134,000.00 deficit for the fiscal year 2002. A good portion of this deficit is due to the cut in the Public Aid Rate from the Illinois Department of Public Aid. Fortunately, the revenue lost because of the cut in Public Aid has been recouped, which should put the Nursing Home on track for fiscal year 2003. The Census for the month of January 2003 has averaged 136, with the Medicare census holding around 11 for the month.

Chairman Sorensen asked for clarification of a "deficit" in the Enterprise Fund. Mr. Lee explained that the Nursing home is the County's only Enterprise Fund. As an Enterprise Fund, the Nursing Home operates similar to a private business. Any deficit in the Enterprise Fund is funded by the Nursing Home's retained earnings. The fiscal year 2002 deficit will be covered by the retained earnings within the Enterprise Fund.

Chairman Sorensen asked what is the balance of the Enterprise Fund. Mr. Zeunik answered that the Enterprise Fund presently stands at \$3.2 million as of January 31st.

Ms. Jennifer Ho, Risk Manager, presented a request for approval of the Proposed Risk Management Program for 2003. Ms. Ho stated that the proposed program is forwarded to the Committee, pending finalization the excess liability insurance program. Ms. Ho stated that the projected cost of the first \$10 million of coverage for the excess liability cover has been received. Ms. Ho advised the Committee that she is still waiting for the reinsurance options for the next layer of coverage in excess of \$10 million. The proposed program contains coverages underwritten on commission and a net-of-commission basis, with brokerage services provided on a fee basis. Ms. Ho noted that the proposed coverages and services can be studied in Table A of her report. The proposed program has an increase of 5.36% over the annualized Fiscal Year 2002 program in terms of costs. Ms. Ho noted that the Fiscal Year 2002 program was extended to provide 14 months of coverage as a move to better position McLean County in a hard market situation. For comparison reasons, the costs for Fiscal Year 2002 are being provided on a 12-month period.

Ms. Ho listed the following changes to the proposed program. First, McLean County's broker, Insurance Risk Managers/Acordia, has agreed to provide their services on a fee basis. Ms. Ho noted that an agreement to provide services on a fee basis has been included in the packet.

Ms. Ho referred to the Terrorist Risk Insurance Act of 2002 (TRIA) coverage. Pursuant to TRIA, insurers have stated terms for TRIA coverage, if additional premiums are needed, and if the insured has the option to waive coverage. TRIA coverage provides Federal relief for certified acts of terrorism on behalf of foreign interests in excess of \$5 million of damages per occurrence. TRIA coverage is provided in the County's property insurance without additional changes, and at a mandatory 3% of premiums for worker's compensation coverage and a mandatory 1% of the County's excess liability coverage.

Ms. Ho discussed the possibility of reducing the Excess Liability Limits. Because of market restrictions, the County may be forced to reduce its excess liability coverage from \$20 million to \$15 million. Other terms and considerations are unknown at this time. The recommended limits will be based on a cost-benefit analysis of the tradeoffs between price, limits and retention levels. Ms. Ho stated that it would be desirable for the County to maintain the limit coverage at \$20 million.

Ms. Ho referred to the increase in the self-insurance retention for excess worker's compensation coverage by \$100,000.00. Keeping retention at \$300,000.00 would have resulted in a rate increase of 34%. Though an evaluation of rates, aggregate coverages at various retention levels and the capacity for the County to assume risk in a restrictive

economy, a \$400,000.00 Self-Insured Retention (SIR) was determined to provide the best value without comprising the County's position to assume risk.

Motion by Berglund/Selzer to recommend approval of the a Proposed Risk Management Program for Fiscal Year 2003, as recommended by the Risk Manager and the proposed Agreement for Broker Services to be provided on a Fee-Basis.
Motion carried.

Ms. Ho referred to the Fourth Quarter Risk Management Report for Fiscal Year 2002. Ms. Ho stated that the County retains and administers exposures and claims within its retention of the first \$250,000.00 of losses for auto liability, general operational liability exposures and \$300,000.00 for worker's compensation. Property insurance is underwritten in the commercial markets because of its affordability. The County is required to comply with the Governments Accounting Standards Board Statement 10 (GASB 10) for retained losses, which states that the full value of a claim is recognized at the time the claim is filed, or is known. As claims mature and move towards resolution, incurred claim values may change to reflect favorable settlement, or adverse developments, depending on the complexity of the claim. Ms. Ho noted that significant improvement is seen in the area of worker's compensation claims, which indicates that the County's worker's compensation claims have improved from an average of 90 claims per year from the five-year period of 1992-1996 to an average of 77. 6 claims per year for the five-year period of 1997-2001. The County has also seen an improvement in the area of high severity worker's compensation claims, as in surgical work injuries and lost-time from work cases. In the County's claim history, there has been two catastrophic events, one involved the death of a deputy coroner at a post-accident scene investigation in 1997 and the other in 1993, involved two deputies who sustained very serious injuries after their squad car was struck by an out of control semi truck on Interstated 55 during a snow storm. In the area of liability claims, the County has not settled any claims in excess of \$10,000.00 or in excess of its self-insured retention.

Mr. Robert Kahman, Supervisor of Assessments, briefly discussed the Assessment Status Report. Mr. Kahman noted that McLean County's projected Equalized Assessed Value (EAV) for 2002 is 6% higher than in 2001. This number is significant because this figure will determine the tax rate for the various funds and what percentage of revenue may be expected. Mr. Kahman informed the Finance Committee that the Department of Revenue is behind in processing the Sales Ration Study and calculating individual County multipliers. The State multiplier has always been received by July of each year.

Chairman Sorensen referred to the County Recorder's Semi-Annual and Annual Activity Report. Chairman Sorensen advised the Committee that he and Member Berglund met with Ms. Ruth Weber, McLean County Recorder, to discuss the concerns of the Internal Auditor and the Outside Auditor. A course of action was agreed upon and Ms. Weber will present a status report in March.

Ms. Jackie Dozier, County Auditor, presented the Internal Auditor's Report. Ms. Dozier noted that some of the County's departments need to be move forward with GASB 34 financial reporting requirements.

Mr. Robert Keller, Health Department Administrator, presented a request for approval of the 2003 McLean County Employee Wellness Program. Mr. Keller noted that a report detailing the results of the 2002 employee health screenings and health risk appraisal and a cost proposal for a sixth annual event has been included in the Agenda packet. Resources used to underwrite the cost of the employee screenings are derived from the existing fund balance within the Employee Benefit Fund. This cost may be able to be reduced if the County's existing health insurance carrier is amenable to linking payment of screenings to wellness benefits attached to both the HMO and PPO contracts.

Ms. Jan Morris, Health Promotion Program Manager, stated that the continuation of an on-going employee wellness program will increase health awareness, increase productivity, improve the overall health of the work force, and demonstrates the County's commitment to employee well-being. A healthier workforce would reduce the increase in rising healthcare costs, absenteeism and premature retirement. The recommended intervention strategies for the entire workplace population include coronary and cancer risk reduction, management of cholesterol levels, weight management, fitness, and better nutrition. The total cost of the County's Employee Wellness Program was less than \$16,000.00, but left undetected, heart disease, stroke or cancer could cost the County considerable more in treatment costs. It is the Health Department's goal that the 2003 wellness program, "Good Health is Always in Season" will involve more than 400 employees in one or all of the activities.

Ms. Morris noted that each year more County Employees become involved in the health screenings and wellness activities. Approximately 350 employees were involved during 2002. National health care expenses are currently 14% of the nation's gross national product or approximately \$4,000.00 per person per year. For the next fiscal year, McLean County is faced with a 14% increase in the employer's share of employee health insurance. Ms. Morris listed some of the Wellness Program services conducted in 2002, such as: Screenings for Cardiovascular Risks, Cholesterol checks, Glucose level checks, Blood Pressure, the EKG and Heart Card, Weight Measurement and Body Composition,

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Mammograms, etc. At this time, Ms. Morris is requesting an Employee Wellness Program budget of \$17,000.00 for the 2003 Program.

Motion by Kinzinger/Nuckolls to recommend approval of the 2003 McLean County Employee Wellness Program. Motion carried.

Ms. Becky McNeil, Assistant County Treasurer, discussed the Treasurer's Investment Report. Ms. McNeil noted that the rates are holding stable. The Summary of Sales Tax Revenues, Personal Property Replacement Tax Revenue (PPRT) and General Property Tax Revenues shows a decrease of 12% from 2002. Ms. McNeil noted that the 2003 Retailers Occupational Tax Revenue (ROT) has decreased 6.0% compared to January 2002.

Ms. McNeil discussed the Community Development Assistance Program (CDAP) Report. This report documents the CDAP Revolving Loans approved in McLean County. In 1987, McLean County was awarded a grant in the amount of \$500,000.00 for the CDAP Revolving Loan Program. These funds are loaned to businesses that need financing but are unable to qualify for bank loans. Presently, McLean County has two active loans, one to Victory Enterprises and one to The Learning Center. Mr. Selzer asked what is the interest rate charged by McLean County for these loans. Mr. Zeunik answered that the interest rate varies between 125 and 150 basis points below prime rate. The program is not to compete with lending institutions. This program helps existing and new companies that need some help or companies that are looking to expand, where the expansion will create further jobs for McLean County. The loans made are considered "gap" financing, since the CDAP financing fills the gap between what the financial institution will lend and what the business needs.

Ms. McNeil asked the Committee to review the Green Bar Statement of Revenues, Expenditures and Fund Balance report, which shows that the General Fund Department expenditures are at 98.70% of the Adopted Budget for Fiscal Year 2002, with revenues standing at 98.53% of the projected budget. There are several revenue adjustments at year-end that will continue to be posted.

Motion by Kinzinger/Berglund to accept and place on file the County Treasurer's Statement of Revenue, Expenditure and Fund Balance Report, as of December 31, 2002 and as of January 31, 2003, Investment Report for January 31, 2003 and the CDAP Revolving Loan Fund Program. Motion carried.

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Chairman Sorensen noted that the Treasurer's Office has presented an item for information for consideration of the Loomis, Fargo and Company for armored car services. This item was not prepared in time for the Finance Agenda so it will be discussed and acted upon at a Stand-Up meeting before the County Board meeting of February 18, 2003.

Ms. Becky McNeil presented a request for approval to use Official Payments Corporation to Process Internet and IVR Credit Card Payments for McLean County. Ms. McNeil stated that the Treasurer's Office and the Office of Information Services are requesting authorization to allow Official Payments Corporation to act as a processor of credit card transactions which are placed through the internet via the Interactive Voice Response Phone System (IVR). The proposed agreement is provided to McLean County Government. McLean County will neither incur costs nor profit from the use of the services of Official Payments Corporation. Official Payments charges a convenience fee for the processing of the transaction, which is indicated to a client before they choose to make the payment. The fee is assessed, charged and paid only to OPC under a separate merchant number, the money is never collected nor redistributed to the County. A second transaction is automatically created, debiting to the County the exact amount of the payment due to the County. This method of payment will not replace the methods currently available to the citizens of mail, personal delivery, etc., but it rather provides an additional option.

Ms. McNeil noted that the enclosed Letter of Understanding has been reviewed by Civil Assistant State's Attorney and found acceptable. The processes involved in chargebacks, reversals and disputed payments has been reviewed by the Treasurer's Office and also found acceptable. The technical aspects of this program have been reviewed by the Information Services Department and found acceptable.

Motion by Kinzinger/Nuckolls to recommend approval to use Official Payments Corporation to Process Internet and IVR Credit Card Payments for McLean County.

Chairman Sorensen clarified that the term for this program should be set at one year and then be re-evaluated. Mr. Craig Nelson, Director of Information Services, stated that working with credit card companies, he did not want to take on the responsibility of storing the credit card information. McLean County is still not stable enough to take on this responsibility. The County would like to enter into a contract with a company that has the capability to provide this services to other departments in McLean County, such as the payments for traffic tickets, building permits, etc.

Motion carried.

Mr. John M. Zeunik, County Administrator, requested approval of an ordinance authorizing execution and delivery of an Intergovernmental Cooperation Agreement; Assist 2003 Single Family Mortgage Revenue Bond Program. Mr. Zeunik stated that McLean County participated in this state-wide program for the first time last year. There is no financial commitment on the part of McLean County. The program should provide approximately \$5 million in low interest mortgage loans that will be available through local financial institution throughout McLean County.

Motion by Selzer/Berglund to recommend approval of an Ordinance Authorizing Execution and Delivery of an Intergovernmental Cooperation Agreement; Assist 2003 Single Family Mortgage Revenue Bond Program. Motion carried.

Mr. Zeunik presented a request for approval of Interfund Transfer Ordinances for Fiscal Year 2003 for the period January 1, 2003 through May 31, 2003. These ordinances include a resolution transferring monies from the Working Cash Fund 0002; an Ordinance transferring monies from the Tort Judgement Fund 0135 and an Ordinance transferring monies from the Treasurer's Indemnity Fund. This item comes before the Finance Committee every February. The spread sheet included in the packet shows the property tax supported funds, the cash balance as of December 31, 2002, the actual revenue received through the end of May, 2002, the estimated revenue available, the actual and estimated expenses as of May 31, 2003, and the projected May 31st balance. Because these funds are dependent on property taxes, in some instances the funds are projected on May 31st to be in a negative cash position. Because of the rules that govern fund accounting, it is necessary to have the County Board authorize the Treasurer's Office to use the fund balances available in certain funds to cover deficits and shortfalls in other funds.

Mr. Zeunik noted that the General Fund is projected to finish in a deficit position on May 31, 2003. This is attributable to the amount of receivables due from the State of Illinois.

Motion by Selzer/Nuckolls to recommend approval of Interfund Transfer Ordinances; Fiscal Year 2003, for the period of January 1, 2003 through May 31, 2003. Motion carried.

Mr. Terry Lindberg, Assistant County Administrator, informed the Finance Committee that the Laborer's International Union representing the Correctional Officers were notified by the Illinois State Labor Relations Board that they had received sufficient cards from eligible members to call for an election to determine whether the members would be represented by the Fraternal Order of Police (FOP), the Laborer's International, or no representation. Recently, McLean County stipulated consent to proceed with the election process on February 27th and 28th, 2003.

Chairman Sorensen presented a transfer of funds request and bills, as presented by the County Auditor, for review and approval by the Finance Committee.

Motion by Kinzinger/Selzer to recommend approval of the transfer and the bills, as presented by the County Auditor.
Motion carried.

There being nothing further to come before the Committee at this time, Chairman Sorensen adjourned the meeting at 5:45 p.m.

Respectfully submitted,

Mrs. Carmen Zielinski
Recording Secretary