

Minutes of the Executive Session of the Finance Committee
Tuesday, June 3, 1997

The Finance Committee of the McLean County Board went into Executive Session at 5:35 p.m. on Tuesday, June 3, 1997 to discuss pending litigation.

Mr. John Zeunik, County Administrator, explained that every year the Board discusses the unencumbered fund balance of the County's General Fund and, every year, there are tax protestors who seek to make this an issue when they file a tax protest.

Mr. Zeunik reported that the County's unencumbered General Fund balance is down this year compared to previous years. Mr. Sorensen noted that County policy is to maintain a 10% unencumbered fund balance in the General Fund. Right now, the General Fund balance is down approximately \$4.3 million. Mr. Sorensen advised that this large decrease concerns him.

Mr. Zeunik explained that the County Board policy was changed last year during the review of the Budget Policy Resolution. The policy specifically refers to the audited fund balance which is the fund balance that Guthoff & Company, the Outside Auditors, certifies as of December 31. This is the fund balance that can be adjusted if it is higher than the maximum stated in the policy. Mr. Zeunik reported that the Treasurer's Report that is presented monthly is an unaudited snap shot in time. If the Committee wants an accurate figure, it should use the audited figure. As represented by the Guthoff & Company Report, the fund equity figure is \$6.6 million.

Mr. Sorensen stated that if the County lets this situation get out of hand, it will create more problems for the County and more successful tax protests. Mr. Sorensen asked what is the actual balance on which the 10% unencumbered fund balance would be determined. Mr. Zeunik advised that the total operating budget for all County Funds is \$43 million. The County Board would have the option, based on the adopted policy at the June or July County Board meeting, to take action to either reduce the fund balance as the policy sets forth for capital projects, debt service on bond issues or for the Integrated Justice Information System project. Last year, the County Board approved the IJIS Contract and \$900,000 went toward the cost of the project.

Mr. Sorensen asked if this will happen again this year. Mr. Zeunik advised that there is a possibility that it could happen again this year. Mr. Sorensen asked who makes this decision. Mr. Zeunik explained that the County Administrator's Office recommended that the County enter into a Contract for the Integrated Justice Information System Project and use the fund balance for this expense. This Contract was approved by the Justice Committee and the full County Board. Mr. Sorensen stated that the approximate amount of \$1.5 million was taken out of the Fund Balance and the County is in the same position this year. Mr. Zeunik explained that \$1.5 million was not taken out of the Fund Balance. The cost for the first year which was appropriated from the Fund Balance was in the neighborhood of \$800,000. Mr. Zeunik reminded the Committee members that when the County talks about appropriating funds from the accrued Fund Balance, there are some dollars in the Fund Balance that are not accessible.

June 3, 1997

Page Two

Mr. Sorensen stated that he is not being critical about this situation. His concern is that the County needs to be more cautious in accumulating these dollars to avoid litigation.

Mr. Zeunik advised that the first tax objection case was ruled in favor of the County. Based on the Supreme Court decision, the attorney argued that there was only one County Fund that exceeded that test used by the Supreme Court. That was the Highway Fund - Bridge Matching Fund. In this particular case, project construction did not get completed due to the weather and the fund balance was committed to contracts awarded for construction. The County prevailed in terms of that argument.

Mr. Zeunik stated that there is a case pending from the same group that filed two years ago. A date has not been set for an initial hearing.

Mr. Zeunik reported to the Committee members that the County would need to take action within the next two months if it wants to reduce the debt service. The County will need to notify the County Clerk before she extends and certifies the tax levies for the second installment tax cycle.

Mr. Sorensen asked if the total obligation to fund the IJIS project is set aside. Mr. Zeunik advised that the County could argue that approximately \$700,000 to \$800,000 of these dollars are encumbered to fund the IJIS project. Phase I of the project will be completed in August of this year. The vendor is prepared to move forward to Phase II. The dollars in the budget right now are all for Phase I of the project. The County still needs to define the scope for Phase II and some of these dollars will toward Phase II dollars which are incurred during Fiscal Year 1997.

Mr. Zeunik reported that the issue of capital costs is another concern. Staff is presenting to the Property Committee on Thursday a request to put a new roof on the 200 West Front Street Building, which is two years before this expense was anticipated.

Mr. Sorensen stated that the driving force is that the County has a substantial amount of money in the bank. The real issue is that this substantial amount of money makes the County a target for tax protestors.

Chairman Stevens asked if the Committee wants the County Administrator to monitor the situation over the next several months in terms of appropriate times when the County should be looking at disbursing some of the money. Chairman Stevens stated that he does not have a problem in continuing to use the 10% rule. Mr. Sorensen advised that he does not have a problem with the 10% rule either as the County put the Rule in place to assist during the first five months of the fiscal year. On the other hand, when the County has an additional \$800,000 to \$1 million, he believes that is why the County implemented the 10% Rule.

Executive Session Minutes of the Finance Committee

June 3, 1997

Page Three

Chairman Stevens suggested applying some potential dollars to the IJIS project. Mr. Ed Williams, Assistant County Administrator, reminded the Committee members that there are still dollars owing on the GIS mapping system.

Mr. Zeunik explained that he looks at the cash and investment balance and then compares that with the operating budget. A portion of the accrued fund balance is a loan which the General Fund advanced to the McBarnes Building after the fire to renovate the McBarnes Building. This amount is being carried as a receivable right now.

Chairman Stevens recommended that the County Administrator make the suggestion to the Finance Committee next month to write off the loan to the McBarnes Building. Mr. Zeunik advised that the Property Committee is in the process of making a determination as to whether to retain the McBarnes Building or sell it. If the Property Committee recommends selling the McBarnes Building, the receivable can be written off at the same time.

Mr. Sorensen reiterated that the Finance Committee should, within the next couple of months, look at ways to use some of the excess funds in the unencumbered fund balance.

Motion by Ware/Sweeney to come out of Executive Session and return to Open Session. Motion carried.

The Finance Committee of the McLean County Board returned to Open Session at 5:50 p.m. on Tuesday, June 3, 1997.

Respectfully submitted,

Jennifer L. Drummond
Recording Secretary