

Minutes of the Finance Committee

The Finance Committee of the McLean County Board met on Wednesday, August 5, 2009 at 4:00 p.m. in Room 400 of the Government Center, 115 East Washington Street, Bloomington, IL.

Members Present: Chairman Owens, Members Rackauskas, O'Connor and Caisley

Members Absent: Members Butler and Moss

Other Members Present: None

Staff Present: Mr. Bill Wasson, Assistant County Administrator; and Ms. Judith LaCasse, Recording Secretary, County Administrator's Office

Department Heads/
Elected Officials

Present: Mr. Walt Howe, Administrator, Health Department; Mr. Matt Riehle, Director, McLean County Nursing Home; Ms. Becky McNeil, County Treasurer; Mr. Robert Kahman, Supervisor of Assessments; Ms. Peggy Ann Milton, County Clerk; and Ms. Jennifer Ho, Risk Management

Others Present: Ms. Cathy Dryer, Finance Manager, Health Department; Ms. Connie Clifford, Chief Deputy Assessment Officer, Supervisor of Assessment's Office; Mr. Marty Vanags, CEO, Economic Development Council; Mr. Ken Springer, Project Analyst, Economic Development Council

Chairman Owens called the meeting to order at 4:06 p.m.

Chairman Owens presented the minutes from the July 1, 2009 Finance Committee Meeting.

Motion by Caisley/Rackauskas to approve the Minutes of the July 1, 2009 Committee Meeting.
Motion carried.

Mr. Walt Howe, Administrator, Health Department, introduced Ms. Cathy Dryer. Ms. Dryer was previously the Assistant County Treasurer and is now the Finance Manager at the Health Department.

Mr. Howe presented a request for approval of an Ordinance of the McLean County Board Amending the 2009 Combined Appropriation and Budget Ordinance for Fund 0105. He advised that the Health Department has been notified by the Illinois Department of Public Health that it has been awarded a grant of \$7,543.00 covering the period January 1, 2009 through August 31, 2009 with the anticipation of continued funding through August 31, 2010. Therefore, the Health Department is proposing an amendment to cover the annualized grant period through December 31, 2009 of \$10,000.00.

Mr. Howe stated that the grant program objectives are to create an educational program designed to identify the incident of asthma, common asthma symptoms, potential asthma triggers, and asthma medications. In addition, the program provides guidance on how to manage an asthma episode. Mr. Howe noted that the Health Department goes out into the rural schools to provide asthma education to both teachers and children in an effort to reduce or manage chronic asthma episodes.

Mr. Howe indicated that the \$10,000.00 in grand funds will be used for educational materials, postage, advertising and a small amount of travel used in providing asthma education information to schools in McLean County.

Chairman Owens asked if this program is strictly for the rural schools. Mr. Howe replied that it is just for the rural schools.

Ms. Rackauskas asked what type of education is being provided to the urban schools. Mr. Howe responded that there is no money available at this time to provide education in the urban schools. He noted that the Illinois Department of Public Health is looking at providing additional money for the next fiscal year beginning September 2009. Mr. Howe indicated that he hopes these funds will allow the Health Department to expand the program.

Ms. Rackauskas asked if the training is done by way of a Teacher's Institute. Mr. Howe replied that Health Department personnel go out to the schools to meet with the teachers to provide on-site educational programming with the students and the teachers.

Ms. Rackauskas recommended that, in order to reach the larger masses, the Health Department should consider providing a Teacher's Institute for both urban and rural school educators. Mr. Howe responded that this type of forum will be considered. He advised that the original budget for this program was quite small, so the program piggy-backed another program that was already going into the schools. Mr. Howe added that he is looking at expanding the program and will consider a larger educational forum when additional funding is received.

Motion by O'Connor/Rackauskas to recommend approval of an Ordinance of the McLean County Board Amending the 2009 Combined Appropriation and Budget Ordinance for Fund 0105.
Motion carried.

Mr. Howe presented two requests that can be acted upon together regarding Fund 0103, the WIC Program. The first is a request for approval of a Resolution Amending the Fiscal Year 2009 McLean County Full-Time Equivalent Position Resolution Associated with an Ordinance to Amend the Fiscal Year 2009 McLean County Combined Appropriation and Budget Ordinance for Fund 0103. The second is a request for approval of an Ordinance of the McLean County Amending the 2009 Combined Appropriation and Budget Ordinance for Fund 0103.

Mr. Howe indicated that the McLean County Health Department was notified by the Illinois Department of Human Services that the SFY 2010 WIC Grant has been increased by \$15,000.00 from \$389,500.00 to \$404,500.00 of which \$8,744.00 is projected to be expended during the period July 1, 2009 to December 31, 2009.

Mr. Howe stated that this program is 100% federally funded and the additional revenue will be used to provide nutritionist support to the WIC Program. The plan calls for increasing nutritionist support by an additional 22.5 hours per week. This will allow the Health Department to convert a part-time nutritionist position to a full-time position.

Chairman Owens asked if the funding goes away, does the position go away. Mr. Howe replied that if the funding goes, the position is eliminated. He added that the staff is aware that the position may be eliminated at the time they are hired.

Ms. Rackauskas asked if the nutritionist goes to full-time, will the individual receive benefits. Mr. Howe responded that the individual will receive benefits, noting that the cost of the benefits is included in the grant funds.

Motion by Rackauskas/O'Connor to recommend approval of a Resolution Amending the Fiscal Year 2009 McLean County Full-Time Equivalent Position Resolution Associated with an Ordinance to Amend the Fiscal Year 2009 McLean County Combined Appropriation and Budget Ordinance for Fund 0103; and to recommend approval of an Ordinance of the McLean County Board Amending the 2009 Combined Appropriation and Budget Ordinance for Fund 0103.
Motion carried.

Mr. Howe presented two requests that can be acted upon together regarding Fund 0107. The first is a request for approval of a Resolution Amending the Fiscal Year 2009 McLean County Full-Time Equivalent Position Resolution associated with an Ordinance to Amend the Fiscal Year 2009 McLean County Combined Appropriation and Budget Ordinance for Fund 0107. The second is a request for approval of an Ordinance of the McLean County Board Amending the 2009 Combined Appropriation and Budget Ordinance for Fund 0107.

Mr. Howe advised that this program is 100% federally funded and the grant award has been increased by an annual amount of \$20,788.00 from \$112,000.00 to \$132,788.00 with \$12,538.00 projected to be expended prior to December 31, 2009.

Mr. Howe stated that the additional resources will be used to add staff hours to the current part-time Bioterrorism Public Health Planner position from a .69 FTE to a .87 FTE. The additional 6.75 hours a week are necessary to support the additional directives under the new grant program. He noted that, in addition to staff, the additional resources will be used for educational materials, training, communication enhancement, minor office equipment and supplies and office support costs for the program.

Motion by O'Connor/Rackauskas to recommend approval of a Resolution Amending the Fiscal Year 2009 McLean County Full-Time Equivalent Position Resolution Associated with an Ordinance to Amend the Fiscal year 2009 McLean County Combined Appropriation and Budget Ordinance for Fund 0107; and to recommend approval of an Ordinance of the McLean County Board Amending the 2009 Combined Appropriation and Budget Ordinance for Fund 0107.
Motion carried.

Chairman Owens asked if there were any additional questions or comments. Hearing none, he thanked Mr. Howe.

Mr. Matt Riehle, Administrator of the McLean County Nursing Home, reviewed his Monthly Report, noting that there was nothing new to report.

Mr. Riehle announced that the Nursing Home will be having a community Open House and concert in benefit of the Nursing Home on August 28, 2009.

Ms. Rackauskas asked who is doing the concert. Mr. Riehle replied that it is a Country-Western group called the Double Hearts who are a nationally-recorded duo that has been providing the entertainment for two years. Ms. Rackauskas asked if the concert is donated. Mr. Riehle indicated that it is donated.

Ms. O'Connor asked what time is the Open House. Mr. Riehle replied that it begins at noon. He added that transportation services will be provided to Phoenix and Woodhills Towers.

Chairman Owens asked if invitations will be sent to the County Board members. Mr. Riehle responded that invitations will be sent to the Board, information will be posted on County Comments, and *The Pantagraph* will be contacted.

Mr. Caisley noted that the Nursing Home population is down. Mr. Riehle responded that the general trend is a 6%-9% decrease in nursing home occupancy. He indicated that an increase is expected when the baby boomer population begins to age. Mr. Riehle stated that he met with the social work staff at BroMenn to work on discharge planning and the resources available at the Nursing Home. Mr. Riehle advised that the population at the Nursing Home has been in the 120's for a few months.

Chairman Owens asked if there were any additional questions or comments. Hearing none, he thanked Mr. Riehle.

Ms. Becky McNeil, County Treasurer, presented the Financial Reports for the period ending July 31, 2009, as distributed.

Ms. McNeil reviewed a Summary of Tax Receipts through July 31, 2009 report, which reflects how financial conditions are affecting revenue on our Sales and Income tax receipts. She noted the following:

July 2009 Revenue:	\$929,219.52
July 2009 Revenue:	\$929,219.52
Difference:	(\$117,766.68)
YTD 2009 Revenue:	\$5,253,707.33
YTD 2008 Revenue:	\$5,886,274.25
YTD Difference:	(\$ 632,566.92)
2009 Annual Budget:	\$9,545,150.00
Budgeted Revenue Per Month:	\$ 795,429.17
Budgeted revenue thru 7/31/09:	\$5,568,004.17

TYD Actual Receipts	\$5,253,707.33
Amount Over (Under) Budget:	(\$ 314,296.84)

Ms. McNeil noted that the budget was adjusted between 2008 and 2009, as the Administrator's Office anticipated a reduction in receipts going into 2009.

Ms. McNeil advised that she will continue to watch these statistics over the next five months. She anticipated that the amount will continue to grow, especially as we continue to see our revenues decline.

Ms. McNeil reviewed the Statistics on the Summary of Retailers Occupation Tax, State Income Tax and Personal Property Replacement Tax Revenue Report for the month ending July 31, 2009.

- Retailers Occupation Tax Revenue for July 2009 is \$425,777.45.
- Retailers Occupation Tax Revenue Year to Date is \$3,045,957.05, which is -7.69% below last year and 52.97% of budget.
- State Income Tax Revenue is \$1,117,077.17, which is -15.55% below last year and 58.03% of budget.
- Personal Property Replacement Tax Revenue is \$1,090,673.11, which is -13.69% below last year and 58.32% of budget.

Ms. McNeil reviewed the Investment Report, noting that interest rates continue to decline. She stated that two CD's came due and were renewed. The Bank of Illinois was renewed at a rate of 2.02%. The rate was 4% last year at this time. The Freestar Bank Repo was renewed at 1.50%. The rate was 3% last year. Ms. McNeil pointed out that the advantage of the Repo funds is that the County can use these funds when necessary.

Ms. McNeil reported that the County funds in State Farm are earning 1.88%. The County funds at Heartland Bank are earning 1.12%.

Mr. Caisley asked if it would be possible to put more funds in Central Illinois Bank at 4.10%. Ms. McNeil replied that it would not be prudent to put funds into Certificates of Deposit until we have a better idea of what is going on with the State of Illinois. She noted that the State of Illinois is paying the County very slowly right now, which means that the County has less cash to invest at this time. Ms. McNeil added that if the County didn't have such a large outstanding receivable from the State of Illinois, she would consider putting some funds into CD's at higher rates for six and nine months.

Ms. McNeil reviewed the Statement of Revenue, Expenditures and Fund Balance. She noted that interest in investments is down significantly. Ms. McNeil pointed out that Revenue stamps, which are derived from new home sales, is down. She advised that some revenues are up, such as Parks and Recreation. Ms. McNeil noted the following:

- Total Revenue year to date as of July 31, 2009 was \$16,502,161.36, which is 50.34% of budget;
- Expenditures were \$18,269,459.43, which is 55.73% of budget;
- The Fund Balance as of July 31, 2009 was \$7,990,090.84.

Ms. McNeil pointed out that Revenue is close to where we were last year on budget. She added that expenses are down a little bit from last year.

Ms. McNeil indicated that the Fund Balance of \$7,990,090.84 is less than the fund balance last year of \$10,263,395.67. She noted that the Fund Balance will decrease as we see a decline in revenue this year.

Ms. McNeil reviewed a summary of the outstanding receivables from the State of Illinois. She indicated that this summary does not include all of the outstanding receivables. She noted the following receivables due from the State of Illinois:

- Probation Salaries, December 2008-May 2009: \$81,423.06
- Grants-in-Aid-Probation Salaries, December 2009-March 2009: \$174,694.57
- Grants in Aid JDC, December 2008-March 2009: \$274,532.10

Ms. McNeil indicated that the reason these amounts are booked through March is that the County's allocation from the State had been exhausted at that time, so the County will not accrue any more revenue until we get into the new State Fiscal Year and find out what the County's allocation is. She noted that we will start accruing again in June and July as we wait for those numbers to come through.

Ms. McNeil pointed out that the following receivables are timely:

- Supervisor of Assessments for July 2009: \$3,199.58
- Public Defender for July 2009: \$8,324.57
- State's Attorney for June 2009: \$12,056.42
- Assistant State's Attorney for June 2009: \$2,333.33
- DCFS Child Abuse Attorney Contract for April 2009-June 2009: \$11,250.00
(These claims were just submitted by the State's Attorney's Office)
- Income Tax for July 2009: \$143,234.68

Ms. McNeil advised that there is a balance due on County General Fund Receivables of \$759,043.19 from the State of Illinois.

Ms. McNeil stated that the Title IV D program is due \$12,919.33. She stated that the total due on the Health Department Receivables is \$401,178.04. Ms. McNeil noted that she does not have the breakdown on the funds that are due to the Health Department. She indicated that the Health Department runs an on-going receivable that is adjusted monthly.

Chairman Owens asked how late is the funding that is due to the Health Department. Ms. McNeil replied that she does not have a breakdown, but she will check with the Health Department to see if there is anything that is extremely outstanding. Chairman Owens requested that Ms. McNeil provide information on the past due funds to the Health Department. He also recommended that Mr. Howe attend the meeting next month to report on the funds that the Health Department is due from the State of Illinois. Ms. McNeil noted that the Health Department is a large department and the outstanding receivables on the report could be for just one month.

Ms. O'Connor asked if it is typical to have this much money due from the State at this time of the year. Ms. McNeil replied that it is not typical on the General Fund. Ms. O'Connor asked if the State could simply decide to not reimburse these funds. Ms. McNeil replied that the State of Illinois, Illinois Office of Administrative Courts, set aside an allocation for each county on how much they are going to be reimbursed. She indicated that the Treasurer's Office is notified of that allocation. Last July, the Treasurer's Office started accruing based off the new State allocation. Ms. McNeil noted that the new State allocation ran from July 2008, and, in May 2009, the County exhausted that allocation. She stated that the money was allocated, it was approved by the AOIC, and it was turned over to the Comptroller. Ms. McNeil indicated that it is her understanding that they are waiting for the Comptroller to release the funds. She advised that she cannot guarantee that the funds will or will not be given to the County, but her experience is that once it goes to the Comptroller the County will receive payment. She added that it is all a matter of timing.

Ms. O'Connor asked if the State has the legal ability to simply not release the funds. Chairman Owens responded that, in the past, the Comptroller has made comments that the funds aren't available. Ms. McNeil responded that she has not received notice that the funds will not be released.

Mr. Caisley pointed out that if a judge sentences a male adult to the Department of Corrections, it would cost the State of Illinois \$25,000.00 per year; if a judge sentenced a female minor to the Department of Corrections, it would cost the State of Illinois an additional \$47,500.00 per year. He stated that the Department of Corrections' budget

would increase dramatically if everyone that was convicted of a crime or every juvenile who was declared to be a delinquent were sentenced to the Department of Corrections. Mr. Caisley concluded that judges who place individuals on probation are saving the State a lot of money, and it doesn't make sense for the State to refuse to provide the funds to the County to pay for the Probation Officers.

Ms. McNeil stated that she and Ms. Lori McCormick, Director, Court Services have been in communication regarding the status of the funds due to Court Services, and they will continue to monitor the situation. She added that McLean County is not alone in this position.

Mr. Caisley indicated that the Administrative Office of the Illinois Courts is considering computing how these funds are paid in a different way that may be less advantageous to the counties.

Ms. McNeil advised that McLean County is fortunate to have the Fund Balance that it has so that hits like this are not as devastating as they are to other counties.

Ms. McNeil stated that the Receivables due from the State are over \$500,000.00. She noted that notification has been received through Court Services that the allocation for 2009-2010 is going to be less than it was for 2008-2009. Mr. Wasson indicated that, as part of the budget process, we are evaluating the statements provided by AOIC concerning the appropriations for this activity, as well as the possibility that allocations may be made in a different manner, and the impact it may have upon our staffing levels in the Court Services Department. He assured the Committee that the responses from the State will continue to be monitored. Mr. Wasson added that the Administrator's Office is working with the Court Services Department to evaluate responses based upon a number of different scenarios that the County may be approached with in this year. He informed the Committee that a budget will be presented in September. Mr. Wasson noted that all information may not yet be available in September, and it is possible that modifications may need to be made to the Recommended Budget after additional information is received from the State.

After additional discussion, the Committee requested that the following actions be taken by the Administrator's Office:

- Invite State Legislators (two senators, four representatives) to attend an upcoming Finance Committee meeting;
- Prepare a draft letter/Resolution to our State Legislators, detailing the status of these receivables;
- Contact Metro Counties and Illinois County Association to see if they have any suggestions as to what counties can do as a whole.

Chairman Owens thanked Ms. McNeil for her continued efforts to keep the Committee informed of this situation.

Motion by Rackauskas/O'Connor to accept and place on file the Month-end Financial Reports from the County Treasurer's Office for the month ending July 31, 2009, as submitted.

Motion carried.

Chairman Owens asked if there were any additional questions or comments. Hearing none, he thanked Ms. McNeil.

Mr. Robert Kahman, Supervisor of Assessments, advised that the Assessor's Office has relocated the cadastral map server from Sidwell, an outside map service, to in-house to reduce delays and improve performance. He added that he hopes to have farmland values computed from the new in-house mapping system in the near future. Assessment notices will be going out as soon as the credible farm values are computed from the system.

Mr. Caisley pointed out that there are seven townships with a multiplier of one. He asked if we know what the multiplier will be this year. Mr. Kahman replied that the multiplier is predicated upon the following:

- The State Sales Ratio Study, which is the relationship between what sold in 2008 and the value in 2007,
- The changes that the local assessor makes to those properties.

Mr. Kahman indicated that once the above information is received, the individual changes are tallied and the math is applied from the Sales Ratio Study, which determines the multiplier. He stated that in any given year, an assessor is capable of getting a multiplier of one provided they adjust local assessments on an individual basis to account for sales.

Chairman Owens asked if there were any additional questions or comments. Hearing none, he thanked Mr. Kahman.

Chairman Owens presented the County Recorder's General Report as submitted by Mr. Lee Newcom, County Recorder. There were no questions on the report.

Ms. Peggy Ann Milton, County Clerk, presented her June 2009 Monthly Report. She indicated that most of the revenue is based on estimation, as it is impossible to know how many people are going to apply for assumed names or marriages licenses, etc. Ms. Milton noted that, at six months into the year, the vast majority of the line items are close to 50% and some are much higher, such as Death Record requests, Liquor Licenses, Notary Public Commissions and Tax Redemption Fees. She stated that the Take Notice Fees are almost finished for this year because Take Notices must be completed within the first four and a half months of the year.

Ms. O'Connor asked what the Take Notice Fees are. Ms. Milton replied that when a parcel is sold at the tax sale for delinquent taxes, the tax buyer has the responsibility to file paperwork with the County Clerk's Office that then gets forwarded to the person whose taxes were bought. The County Clerk's Office is obligated to send the paperwork out by certified mail, although it is all prepared by the tax buyer. The County Clerk's Office receives a fee to do that, which is the Take Notice Fee.

Mr. Caisley commented that the Year to Date Tax Redemptions exceed last year's. Ms. Milton replied that \$1,805,000.00 of redeemed taxes have been collected this year.

Chairman Owens asked if there were any additional questions or comments. Hearing none, he thanked Ms. Milton.

Ms. Jennifer Ho, Risk Management, presented the Second Quarter Risk Management Fund Report. She advised that, since her last quarterly report, 15 new work injuries and three new liability claims have been filed, and no new auto claims. Ms. Ho reported that, for the reporting quarter, three surgical cases have been reported, which accounted for the increase in reserves. This is doubling what was filed in previous years. All other injuries remain as low severity types. Ms. Ho noted that, since the last quarterly report, no claims have been settled in excess of \$10,000.00.

Ms. Ho stated that a review needs to be made as to how the County's loss funding and loss reserve practices are compared to a much broader objective standard, which is why the actuarial study is being done.

Ms. Ho reported that the County is working with our TPA (Third party administrator) to look at ways to contain the cost of claims. She indicated that one of the best ways to contain the cost is to not have accidents in the first place. Ms. Ho reported that an effort has been and is being made to talk to departments and share information on safety issues. She pointed out that employee morale for the County is very high. She noted that the injuries that have been reported are real injuries and not fraudulent injuries. Ms. Ho indicated that the department heads are receptive to looking at losses and ways to prevent them.

Ms. Ho noted that the Sheriff's Department is considering purchasing a teleconferencing system that would allow custody hearings to take place from the jail, eliminating the need to transfer inmates to a courtroom. This would eliminate potential injuries that could happen while transferring inmates.

Chairman Owens thanked Ms. Ho for her report.

Mr. Bill Wasson, Assistant County Administrator, introduced Mr. Marty Vanags, CEO, Economic Development Council and Mr. Ken Springer, Project Analyst, Economic Development Council who will review the CDAP Program.

Mr. Vanags noted Mr. Bob Lakin, President, Commerce Bank, was at the Finance Committee meeting, but he had to leave for another commitment. Mr. Lakin is a Board member of the EDC and also Chairs the Community Development Corporation, which manages the EDC loans and finances.

Mr. Vanags indicated that he was asked to provide the Committee with information on how the CDAP program is working. He stated that it is important to understand the philosophy of lending in an economic development situation and the larger role of economic development financing. Mr. Vanags noted that EDC has two goals in economic development, as follows:

- Create jobs.
- Increase taxes by offering low down payment financing for fixed asset purchases.

Mr. Vanags stated that the down payment is the key to the loan program. He noted that the County's financing subsidizes risk for conventional lenders and allows deals to be made without jeopardizing a company's working capital. The money provided by EDC in these loans acts as equity because of its collateral position. Economic Development financing offers low interest rates as an incentive for expansion and the lower cost of debt increases the owner's return on the equity.

Mr. Vanags advised that Economic Development financing is not a substitute for conventional lending; rather it is a tool that assists conventional lending, which gets more deals done and increases the jobs and the tax base for the community.

Mr. Vanags stated that Mr. Springer will be attending the third of four classes in September for an Economic Development Finance Certification process. When Mr. Springer completes the fourth class, he will be certified as an Economic Development Finance professional.

Ms. Rackauskas asked if this is a national certification. Mr. Vanags replied that the National Development Council is a national group that trains individuals for economic development finance professional certification throughout the country. Mr. Vanags stated that it is similar to going to banking school.

Mr. Springer reviewed the history of the Revolving Loan Fund (RLF), noting that RLF dates back into the 1980's. Mr. Springer indicated that the oldest loan he could find was from 1991. He stated that the RLF was originally managed by the County itself until the Economic Development Council (EDC) took over the program in 2006.

Mr. Springer indicated that the first loan made by EDC was in 2006, which re-activated the loan fund that had been idle since 2000. There is currently about \$285,000.00 available in the fund.

Mr. Springer reported that there are six active loans, five of which are current. He added that one loan is no current. Mr. Springer announced that EDC is currently screening two serious projects, but neither one has reached the application phase yet.

Mr. Springer reviewed the application and screening process as follows:

- Initial contact between borrower and the EDC/CDC. The following 10 questions are asked of the potential borrower:
 - What is your line of business?
 - How long have you been in operation?
 - How is your company structured?
 - Where are you physically located?
 - What are your capital needs?
 - What is this money to be used for?
 - Have you pursued conventional financing?
 - What is your project's timeline?
 - How many people do you employ?
 - Do you have a comprehensive packet of financials available for review?
- These questions weed out the "tire-kickers" and people looking for free money (grants) from those who have a legitimate project.
- Explain the concept of RLF financing to the potential borrower, how it works in concert with banks and the procedures required to obtain a loan.
- Call the person's banker and ask them about the project. Usually the banker has at least one piece of crucial information left out by the borrower.

- If the project sounds reasonable at this point, review the following:
 - balance sheets.
 - Profit and loss statements.
 - Company's operating cycle.
 - Company's debt load.
 - the quality of that debt and the working capital needs of the company,
 - Cash flow to cover additional debt service.
 - Cash flow projections for the next 12 months.
 - What will the expansion do to the company's working capital?
 - Will the growth sap too much of the working capital to pay off current liabilities?
- If the company still looks good at this point, visit the company and visibly inspect its operations, inventory and product to see if anything seems amiss?
- Then (and only then) give a copy of the RLF application to the borrower and assist the borrower with the application.
- Withholding the application until this point achieves two things for the loan fund:
 - It limits applicants to those who have already been partially-vetted by the EDC to reduce wasted time and resources.
 - It prevents people who are not ready to seek financing from downloading the application and then getting discouraged.
- Write a summary of the project for the credit committee to view.
- Ask the participating banker for his/her loan committee report for reference.
- Contact two members of the local banking community to serve on the credit committee, which consists of:
 - Two commercial bankers that are not involved with the project; they must be impartial and objective.
 - The County Administrator, County Treasurer and EDC CEO Marty Vanags.
- Deliver the loan application, EDC's summary, and the banker's committee report to each of the credit committee members for review, giving the committee at least a week to read all of the materials.
- The credit committee meets and interviews the borrower and the borrower's participating lender. The borrower essentially pitches his/her case to the committee and the committee asks him/her questions about their application. After an hour or so, the committee makes a recommendation.
- If the credit committee recommends proceeding with the loan, they offer guidance on the loan terms and interest rate.
- Present the proposed terms to the borrower the next day. If the borrower has problems with the terms and rate, the committee will negotiate back and forth as needed.

- Write a letter of recommendation from the credit committee to the County Finance Committee, signed by each of the Credit Committee members.
- The loan is brought before the Finance Committee. The Finance Committee either approves or denies the loan application.
- If approved, the loan then goes before the full County Board.
- If the County Board approves the loan, the loan is then written by the States Attorney's Office at the County.
- The borrower signs the paperwork and receives a check for the full amount of the loan.

Mr. Springer advised that EDC was asked by the Finance Committee to determine and discuss strategies for dealing with delinquent borrowers. Mr. Springer indicated that EDC is trying to develop a strategy for dealing with defaults. He stated that dealing with defaults in economic development finance is different from commercial finance. Mr. Springer noted that the nature of an economic development loan program is slotted down the financial food chain from the conventional lender. Typically, these loans have a subordinated collateral position. In the event of a default, RLF loans are typically second or third in line for assets in a liquidity event, which means that there isn't much left to seize. Mr. Springer advised that a second issue associated with defaults is the philosophy of economic development finance. He asked if "we" want to be the first funding source to put someone out of business.

Ms. Rackauskas expressed concern with using the term "we" in reference to putting the company out of business, when, in fact, it is the company putting themselves out of business by not meeting its financial obligations.

Mr. Springer indicated that one option is to consider restructuring the RLF process. He stated that there is a case that can be made that restructuring can work to both the fund's benefit and the borrower's benefit. One way to do that is to extend out the term on delinquent loans. Mr. Springer advised that if you add an extra 24 months onto the loan, with the same interest rate, it decreases the monthly payment. At the same time, by increasing the term, you are actually increasing the total amount of debt service that will be paid and the County will actually get more money in the long-term, assuming the borrower pays.

Mr. Vanags indicated that it is important to also look at the cost of foreclosure, including filing fees and the time and effort of the State's Attorneys office to collect dollars that the County may never see. He pointed out that in this type of lending, the County will not receive much should a company default on their loan. He stated that he is trying to make a case that EDC and the County do not want to get involved in a foreclosure situation if it is avoidable, understanding that sometimes it may be necessary.

Mr. Springer stressed that he would not want a loan that he worked on go into default, which is why so much effort is put into the screening process. He noted that you cannot predict the outcome of all loans, which is why every effort is made to avoid a defaulted loan.

Ms. Rackauskas asked if we know what this cost is of running the Revolving Loan Fund, including man-hours. Mr. Vanags replied that it would cost the County very little since EDC provides much of the work. He noted that the Treasurer's Office also provides assistance. Ms. McNeil indicated that the Treasurer's Office collects the loan payments, applies the payments, sends out delinquent notices and prepares reports.

Chairman Owens advised that Ms. O'Connor has another commitment and needs to leave the meeting. He indicated it is necessary to approve the bills at this time as the Committee will not have a quorum when Ms. O'Connor leaves.

Chairman Owens presented the July 31, 2009 Finance Committee bills for review. The Finance Committee bills include a Pending Total of \$25,241.65 and Prepaid Total of \$901,882.38 for a Fund Total of \$927,124.03.

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Motion by O'Connor/Caisley to recommend approval of the Finance Committee bills as of July 31, 2009 as recommended by the County Auditor.
Motion carried.

The Nursing Home bills include a Prepaid Total of \$402,842.42 and a Fund Total that is the same.

Motion by Caisley/O'Connor to recommend approval of the Nursing Home bills as of July 31, 2009 as recommended by the County Auditor.
Motion carried.

Chairman Owens advised that Ms. O'Connor left the meeting at 5:35 p.m., and the Committee no longer has a quorum. However, he stated that the discussion on the Revolving Loan Fund may continue.

Mr. Vanags referred to Ms. Rackauskas' question about the amount of man-hours necessary to manage the RLF. He indicated that the amount of time Mr. Springer spends on the RLF program has not been quantified, which would make it difficult to determine a dollar amount.

Ms. Rackauskas requested that a report be generated by EDC that would include all costs related to the RLF program.

Mr. Vanags pointed out that if the EDC did not manage this program, it would very likely sit idle. He advised that the County provides the EDC \$80,000.00 per year as an investment in economic development in the community. These funds are not just for the management of this loan program, rather EDC does hundreds of other projects for the

community. Mr. Vanags indicated that he will prepare and provide a report on the RLF program.

Mr. Springer indicated that this loan program and the concept of finance in general is one of the most important tools the EDC has to provide economic development. He added that the EDC's number one mission is to help businesses in the community. Mr. Springer stated that the RLF program is one of the best ways to accomplish this mission.

Ms. Rackauskas reiterated that, without a statistical report, it is difficult to determine the success of the program. Mr. Vanags responded that one of the ways to measure the success of a program is the jobs produced and capital investment. He stated that he will provide a report with this type of statistical information based on the loans the EDC has managed.

Mr. Wasson advised that when the County received this \$500,000.00 grant in the late 1980's the primary goals of this program were expansion of local businesses and increase in jobs.

Chairman Owens asked what would happen to the grant money if the County decided to not continue the RLF program. Mr. Vanags responded that the State would take the money back. He added that if any community in the state has a CDAP program that remains idle for a number of years, the State will take the money back.

Ms. Rackauskas stated that it is important to analyze grant programs to determine how profitable a certain program is to the community.

Chairman Owens asked the EDC to prepare a report with the data, including how many jobs have been created. Mr. Springer replied that he has the data on a job by job breakdown on each loan, which he will provide to the Committee.

Mr. Caisley pointed out that if a business is still in operation and still employing people, perhaps, in the near future, the company will be in a position to continue making payments.

Mr. Vanags responded that EDC's message is that they want to continue to work with a business so that it can continue to operate. He noted that if a business shuts down, the County gets nothing and if we foreclose on a business, the County gets nothing. Mr. Vanags indicated that, considering the amount of money owed on a loan, it may be more prudent to continue working with a company.

Chairman Owens advised that EDC was asked to make this presentation so that the Committee could learn details about the program, how the EDC manages the program and the screening process.

Mr. Caisley commented on the article in *The Pantagraph* regarding Watershed Foods, the company in Gridley, Illinois that freeze-dries berries, which was a recipient of a CDAP loan. He stated that the article reflected very positively on the program.

Mr. Vanags indicated that EDC is working with the Town of Normal, the City of Bloomington and, possibly, the County on a new fund that would provide dollars for companies and residences to do energy efficiency upgrades. He noted that the dollars from the Town and the City come from the Energy Efficiency Block Grant. The County is eligible to apply for an Energy Efficiency Block Grant, much like the CDAP grant. This loan fund is HUD money passed through the state to the County.

Ms. Rackauskas asked for an explanation on the emergency efficiency grant. Mr. Vanags explained that the Energy Efficiency Block Grant started this year. The Town of Normal received \$400,000.00 and the City of Bloomington received \$700,000.00. The money must be spent on energy efficient projects. The grant provides an opportunity, for instance, for businesses to change out the lights to reduce their costs to save money on energy.

Mr. Vanags announced that EDC has created a Micro-Enterprise Zone Fund, which provides funding for very small businesses in the \$7,000.00-\$10,000.00 range, with interest higher than market but lower than credit card. He noted that these are the types of loans banks do not want to do.

Mr. Caisley asked if it is difficult for businesses to access capital. Mr. Vanags responded that start-up businesses always have difficulty getting funding, particularly with the tighter lending practices right now.

Chairman Owens thanked Mr. Vanags and Mr. Springer for presenting this information to the Finance Committee. He also thanked Ms. McNeil for her work with the Revolving Loan Fund.

Ms. Rackauskas asked if Watershed Foods is open and willing to provide educational tours to school groups. Mr. Vanags replied that he does not know, but he will check.

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There being nothing further to come before the Committee at this time, Chairman Owens adjourned the meeting at 5:47 p.m.

Respectfully Submitted,

Judith A. LaCasse
Recording Secretary

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