

WILL COUNTY BOARD
FINANCE COMMITTEE MEETING
MINUTES

April 6, 2010

Will County Office Building
County Board Room
302 North Chicago Street
Joliet, IL 60432
10:30 a.m.

CALL TO ORDER

Mr. Kusta called the meeting to order at 10:32 a.m.

ROLL CALL

Present were Members: Maher, Brooks, Dralle, Wilhelmi and Kusta.

Absent were Members: Gould and Seiler.

Also Present: County Board Chairman Jim Moustis; Majority Leader Jim Bilotta.

Present from State's Attorney's Office: Mary Tatroe.

PLEDGE OF ALLEGIANCE

Mr. Maher led the committee in the Pledge of Allegiance.

APPROVAL OF MINUTES

A motion was made by Mr. Maher, seconded by Mrs. Dralle, to approve the minutes from the March 2, 2010 meeting. All in favor. MOTION CARRIES.

OLD BUSINESS

JJC Foundation Default

Assistant State's Attorney Tatroe advised that JJC has been in default on their bonds since 2006. Recently we had an official notice of default. There is no liability on the part of the County. The bonds when issued have specific language in them that indicates the County is not responsible in any way for repayment of these bonds.

Mr. Wilhelmi arrived at this juncture.

Mr. Harvey advised that just like in a foreclosure process, you name everyone that may have an interest even though they may not have any liability. The County is just the issuer, no liability or guarantor.

Mr. Maher inquired if the County will incur any costs when this happens.

ASA Tatroe replied only the cost of filing an appearance.

Mr. Harvey stated there are no costs. The bond holders are not being paid. The County's position is just a conduit, a vehicle to issue the bonds.

Mr. Kusta inquired if this affected the County's bond rating.

Mr. Harvey replied no.

Other Old Business

NEW BUSINESS

Update of County Finances

This was discussed later in the agenda.

Request to Provide Quarterly Report at April County Board Meeting

This was discussed later in the agenda.

Recovery Zone Bond Application/Guidelines

This item was discussed later in the agenda.

Capital Projects Financing

This was discussed later in the agenda.

Financial Advisor

This was discussed later in the agenda.

Request to Create Funds 309 and 409 for Bond Proceeds Debt Service

This was discussed later in the agenda.

Request for Resolution Amending 2010 Budget to Accurately Reflect Changes in

Real Estate Tax Revenues

This was discussed later in the agenda.

Request to Appropriate ARRA Grant Award in Juvenile Detention Budget

Mr. Kusta advised this issue was discussed at Judicial and it passed out of that committee unanimously.

Ms. Miklic advised that they have received an ARRA (Americans Recovery and Reinvestment Grant) in the amount of \$154,000.00 which will expand the services of the current Continuum of Care Grant Program. This addresses mental health needs of our juveniles detained at the facility. No match funds are necessary.

A motion was made by Mr. Maher, second by Mrs. Dralle, to move this item forward to County Board. All in favor. MOTION CARRIES.

Request to Authorize Transfer of Appropriations to Fund Matching Grant Portion of Probation Continuum of Care Grant from IL Criminal Justice Authority

Ms. Miklic advised that the second grant is a match which is paid out of the probation fees of \$18,667.00.

A motion was made by Mrs. Dralle, second by Mr. Brooks, to move this item forward to County Board. All in favor. MOTION CARRIES.

Request for Transfer of Appropriations in Public Defender's Budget

Mr. Kusta advised this item has been withdrawn.

Request for Appropriation of Grant Funds in Sheriff's Budget

Mr. Kusta advised this issue was also discussed at Judicial Committee this morning and passed out of that committee unanimously.

Deputy Chief Romeo advised that in October 2009 the Sheriff's Department received 2 grants from IDOT. The purpose of those grants is to provide safety and prevention, enforcement detail throughout the summer, particularly around the holiday. The first one is for \$175,761.93. The second grant is for \$29,116.56. He is asking that the funds be appropriated into the Sheriff's budget to accommodate those grants.

A motion was made by Mr. Maher, second by Mrs. Dralle, to move this item forward to County Board. All in favor. MOTION CARRIES.

Mr. Wilhelmi inquired if they track these separately.

Deputy Chief Romeo replied that they are tracked separately and that there is a project code placed in the salary line item and then the expenses would be coded.

Mr. Maher inquired if there is federal dollars and what kind of accountability do we have to insure they are spent the way they are meant to be spent.

Deputy Chief Romeo replied that each grant has a project code to track the dollars that is related to that grant. We report during the process with the employee check number and who it is which is forwarded to the federal government. There are some statistical data which is reported and tracked by the traffic division.

Update on County Finances

Mrs. Hennessey presented the update on the county finances. She stated this is for the period that ended February 28th so we are 3 months into our fiscal year. Based on our current activity it looks like we will be close to break even at the end of the year. She advised that there are two page 7's; one is what you have been receiving in the past and the second one is the revision requested by Mr. Wilhelmi of salaries and fringes combined; salaries and fringes

separate and the percent spent to date. They are pretty regular and will provide this again next month.

Mr. Wilhelmi stated this was very good and was exactly what he was looking for.

Mr. Kusta stated that 25% has been expended and why was County Clerk 31% high.

Mrs. Hennessey replied it was due to the election costs for the County Clerk.

Mr. Maher stated looking at the Human Resources it indicates 58% spent.

Mrs. Hennessey explained it was because they pay the auto liability at the beginning of the year. They don't pay it monthly, it is for the whole year.

Ms. McPhillips inquired if there is any way to indicate how many pay periods this would cover.

Mrs. Hennessey agreed to include that at the bottom of the page.

Request to Provide Quarterly Report at April County Board Meeting

This is a statutory provision.

Recovery Zone Bond Application/Guidelines

Mr. Rafac advised that the application process for the recovery zone facility bonds that there was one modification requested which was in item #3 we are also suggesting that they can submit the information electronically as opposed to hard copy. The other change is information which is not needed in the 1st and 2nd year of construction so it has been removed from this.

Mr. Kusta inquired is it customary to charge a fee for this type of application.

Mr. Greuling from CED advised that because of the Recovery Act, this is the new bond request process. One reason is to cover the cost of diligence, to validate the company and the project. For a tax abatement application our diligence is pretty limited to what they tell us on the application that they sign off on. In this case we have to look at their financials and the viability of the company for us to make any type of a positive recommendation. The second reason is to insure that the company is serious and legitimate so we believe this is a good filter and will cover the costs.

Mr. Kusta asked what would be the high end of a county fee.

Mr. Greuling replied \$2,500.00.

Mr. Wilhelmi asked if that fee goes to the CED to which Mr. Greuling replied yes.

Mr. Wilhelmi asked what about the 25%, would that go to us?

Mr. Rafac replied yes and that is when the bonds are actually issued.

Mr. Brooks asked if there were any complaints to the fee charge.

Mr. Greuling replied that the process is not in place yet but he does not know of any complaints. These funds have to be committed or authorized by the County by the end of this year. There are very few projects being done.

Mr. Rafac advised that the state is moving to call back these funds and use them for themselves, both the economy development bonds and the facility bonds. If that legislation passes, by fall if the money is not spent or not doing a bond offering, then the money will be pulled back anyway. By approving this now if someone is serious and can get the financing we can bring a proposal back by May then they could be bonding by June or July.

Mr. Friefeld stated on page 2 of the application there is a fee schedule, it should show under Non-refundable Application Fee that it will be paid to CED and under the Issuance Fee it should indicate paid to Will County to clarify where those funds are going. Also the Will County Bond Counsel Preliminary Review can change from time to time so that is adequate.

A motion was made by Mr. Wilhelmi, second by Mr. Maher to move the Recovery Zone Bond Application/Guidelines with the above changes forward to County Board. All in favor.

MOTION CARRIES.

Capital Projects Financing

Request to Create Funds 309 and 409 for Bond Proceeds Debt Service

Mr. Rafac stated that we are looking a two phase approach. The first phase would be to go out and bond for road projects and then look at the balance of the spring and summer to see what we would need for major capital initiatives. Those would include courthouse, Sunny Hill Nursing Home, something done in the 9-1-1 capacity, parking decks would be second phase of the bond offering later this year. In 2008 and in 2009 \$100 million for roads were already approved. We want to update the Finance Committee on those initiatives. The state is trying to take back the Recovery Zone Bonds and we have \$27.4 million in recovery zone bonding authority which we get a rebate of 45% back. We also have Build America bonding authority which we get a 35% rebate back. Those two rebates combined into a road bond offering make our financing costs less than it would normally be.

Mr. Rafac stated that we already have the Build America bonding authority which ends at the end of year but all the legislation moving forward will extend it but at a lower rebate amount. There is no cap on the Build America bonding authority and the rebate is .35 or 35%. In successive years the rebate amount will be lower. The money is to be expended within 3 years. Both of these bonds allow us to borrow at a lower rate than we can as a non-taxable entity. We are borrowing at a commercial rate and the federal government is covering more than the difference of that increase cost in borrowing to us.

Majority Leader Bilotta arrived at this juncture.

Mr. Rafac advised that the rebate can be used for other Capital initiatives. The cash back will not be in general funds. In item #6 on the agenda he is also asking that we create a

fund to spend the bond proceeds and a fund to pay the debt service on the bonds. The rebate money would go into our existing capital improvement fund.

Mrs. Dralle inquired would we also be doing that for the roads with the first rebate that comes back.

Mr. Rafac replied no, it will be used for other capital initiatives. We could use it for roads but there are other projects. We are not saying definitely what those funds will be used for but that it will be placed into a capital fund. The \$100 million is roughly what we feel we can spend in this 3 year period.

Mr. Maher asked if this is a one-time rebate.

Mr. Rafac replied that it is paid over time through an application process.

Mr. Chang stated that there is an IRS form 90-120 3038CP which is filed 90 days prior to paying the interest payment. This gives you a rebate back on your interest payment.

Deputy Chief of Staff Johannsen inquired what funds have been identified for the debt service.

Mr. Chang replied there are three pledges; the RTA §4.03 under the act; sales and use tax and the landfill host fees.

Mr. Bilotta asked what is the difference in the rates with the taxes versus the rebated rate.

Mr. Chang replied 100 basis points more – 1% more than after the rebate (\$20 million).

Mr. Bilotta stated that we can take the rebate and use it as a reduction to the loan or to the bond itself or use it to do more things with it.

Mr. Chang advised that the 100 basis points is the difference between issuing as tax exempt and issuing as taxable Build America bonds after the rebate. He stated that it is not what the savings are, it is what you are spending your savings on. If you spent your savings on reducing the interest rate, you would realize the 100 basis points savings. If you spent your savings on other projects, you still realize the difference in the cost of money but you are using that savings for something else.

Mr. Chang advised we tried to maximize the savings based on 3 different programs; Recovery Zone program, Build America program and then your traditional tax exempt rates. The Recovery Zone bonds are at the very long end because you get the most, then the Build America bonds and there is an discrepancy between the tax exempt curve and the taxable yield curve. The first 8-10 years will all be exempt tax bonds. This goes out for 20 years.

Ms. Johannsen stated that the \$100 million is for roads and inquired what is the maximum life of a road.

Mr. Rafac replied 17 years and 3 years for construction, totally 20 years.

Mr. Chang advised that the maximum maturity is 20 years but the average life of the bonds are 12 years because you are paying principal down every year.

Mr. Chang stated that you could go down to 8-10 years on tax exempt bonds. If you want to use this rebate you have to be longer than 8 years.

Mr. Rafac advised that we are pledging \$17 million. The primary source of funding for this is the RTA tax. Even with the economic downturns we are getting \$17 million per year of revenue and this is more than double the coverage that we need for these bonds. The intent is to pay it out of the RTA tax and not use the sales and use tax and landfill tax.

Mr. Kusta stated that we are narrowing in on roads because that is what we can get done in the perimeters but is there \$100 million of roads that we can do.

Highway Chief Engineer Bruce Gould advised that there is not enough because of the right of way acquisition. We have moved forward with the process but our concern is that there is a 3 year window and if I don't have enough acquisition right of way to extend this, I don't want to be in year 3 with a surplus.

Mr. Chang stated that if you go beyond the 3 year window you have to account for all the moneys that you have received from the proceeds by your reinvestment of it. It has to be less than the interest rate that you pay. The interest rate that you will be paying will be 6%.

Mr. Rafac advised that these bonds cannot be used for anything other than roads, road improvements and acquisition to land for roads.

Mr. Bilotta advised they would know more in 3 months and stated this may be a little premature. I need to get a good handle on the right of way issue. We are moving forward with it. We have the money for the current projects. We need to hire a master planner.

Mr. Wilhelmi stated what if we sold the bonds fast enough to fund the summer projects and not have to take it out of our cash funds.

Mr. Bilotta asked what the debt service was on \$100 million under the RTA.

Mr. Chang replied it is \$8 million per year.

Mr. Gould stated we looked at 3 year projects. He advised that it is \$76 million over a 3 year period. We looked at what we could reasonably build within this 3 year period with right of way acquired. We show \$37 million on right of way acquisition.

Mr. Kusta stated if the committee is uncomfortable with this matter, we should bring in more people, answer more questions, bring in a financial advisor and maybe we should table this matter and have a special meeting.

Mrs. Dralle agreed but inquired if the road acquisition is paramount for us moving forward with our projects. She believed this issue was moving forward.

Mr. Bilotta stated we have to add 2 years on condemnation cases and are updated on the quick take every month.

Mr. Kusta asked when is the last deadline Mr. Chang needs a decision from us.

Mr. Chang replied that the state is saying if you haven't used it by July, they will claim it. It will cost you more; the \$20 million loan rate has gone up 10 basis points and the bonds are 20 year long area.

Mr. Moustis stated that the board approved the \$100 million bond issuance previously. The issue is when is the appropriate time to utilize the money. The best market conditions, federal government lower the percentage, the state will take the allocation back all have to be considered. We shouldn't wait any longer because there is a downside to waiting. Now is the time to issue it.

Mr. Chang advised that the interest rate is at 3.30.

Mr. Moustis state that we should get 125 basis points; 2% basis points over the life of the bond and it will not get better.

A motion was made by Mr. Maher, second by Mrs. Dralle, to move this forward to County Board for approval. All in favor. MOTION CARRIES.

Financial Advisor

Mr. Rafac advised that it takes 3 entities to sign the bonds now. These bonds will require the signatures of the County Executive, County Board Chairman and Finance Chair.

Mr. Moustis advised that Kevin McKenna will be brought in as our independent Financial Advisor and will work with Mr. Chang. Mr. Chang is the underwriter not the financial advisor. The financial advisor will be used for Phase I.

Mr. Rafac advised that Speer Financial is the review mechanism for this transaction. We will go out for bid for an independent financial advisor and will bring back next month a proposal to do an RFQ.

Request to Create Funds 309 and 409 for Bond Proceeds Debt Service

Mr. Rafac advised that this is establishment of the two required funds that are necessary for the bonds sale. The bond documents do require a bond proceeds fund and a debt service fund. Fund 309 is the for the proceeds of the bonds and fund 409 would be where we would shift the money from the RTA fund to pay the interest and debt service.

Mr. Wilhelmi verified that this will also track the costs to which Mr. Rafac replied yes.

A motion was made by Mr. Wilhelmi, second by Mr. Maher, to move this forward to the County Board agenda. All in favor. MOTION CARRIES

Request for Resolution Amending 2010 Budget to Accurately Reflect Changes in Real Estate Tax Revenues

Mr. Rafac stated that when we do the levy we start working about now for the next year. It takes a full year to finalize the levy. When all the final figures are in we receive notification from the County Clerk. I need to take action by April 9th make any adjustments to this. We levied for \$114.3 million levy and after we do the final extension calculation we will be levying \$109.4 million This is a 2 million increase over what our levy revenues were for the prior year but lower than what we published but a slight increase in the tax rate. Property is going down and the rate goes up. We are expecting a 5 or 6 decline in property values next year so that will mean that we will have a corresponding increase in the rate next year so we won't be looking at a much larger increase in the tax rate next year. The amount we are collecting this year is \$2 million than last year and 95% of that increase is because new property was still at \$384 million this past year. Next year, the inflation adjustment factor which is about 2.7%, means we will have a couple of million of growth from the inflation factor but we will also have a tax rate increase because the assessed value of the property from all of these foreclosures is driving things down.

Mr. Moustis explained that your tax bill doesn't change as long as you are being equally assessed. As the assessed evaluation goes up your rate would go down. If your assessed evaluation goes down and your rate goes up you would stay the same. The dollar amount is supposed to stay constant. The CPI or 5%, whichever is the least, and in this case the CPI rose 1% so technically you can let the tax rate rise 1%. If you brought those rates down you are not including new construction in the base. You do not want to do that because when you bring them in it creates a bigger base to string across.

Mr. Rafac advised that on page 3, because we have a \$3 million decrease in the real estate tax revenue, this is something else that is anticipated and built into the budget. We are decreasing the revenue estimate in taxes and shifting it to county supplemental taxes. We are taking the \$11 million dollars and increasing it to just under \$14 million. This committee needs to approve this transfer so that as we move forward in tracking the budget that we are tracking the levy against the real number and the sales tax against the real number.

A motion was made by Mr. Wilhelmi, second by Mr. Brooks, to approve the transfer to reflect the changes in the real estate tax revenues. All in favor. MOTION CARRIES.

Other New Business

ANNOUNCEMENTS BY THE CHAIRMAN

EXECUTIVE SESSION

ADJOURNMENT

A motion was made by Mrs. Dralle, second by Mr. Maher, to adjourn the meeting at 11:55 a.m. All in favor.

MOTION CARRIES.