ADMINISTRATION & FINANCE COMMITTEE

Meeting Minutes

Thursday, September 25, 2014
IRMA Office
9:30 a.m.

PRESENT:	David Clark	Kathleen Rush
	Spencer Parker	Dan Nisavic
	Darrell Langlois	Eric Helm
	Doug Haywood	Janet Gorman
	Gerald Sagona	
ALSO PRESENT:	Rita Boserup	Margo Ely
	Mary Henzler	Susan Garvey
	Brian Goding	Robert Mellor
ABSENT:	John Prejzner	

I. CALL TO ORDER

Chair Clark called the meeting to order. Roll was taken and a quorum declared.

Chair Clark stated Robert Mellor of Carol Stream was in attendance and, therefore, we were going to move item V up in the agenda.

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V. OUTSOURCING/REVENUE BASE DEDUCTIONS

Clark stated this item had been previously discussed and was taken to both the Executive Board and to the full Board of Directors at their last meetings. At the Board of Directors meeting there were some questions, so we are bringing this item back for some further clarification. Clark noted that three options are outlined in the memo: do nothing to the existing bylaw; pick one or the other (whichever is greater – the 50% exclusion or the contract price); or go with a formula that would provide a combined formula of the two deductions. Clark noted that the conclusion out of the group the last time was a no double dipping type of approach and that is what we need to discuss.

Ely stated that staff does not believe that the option of double dipping has any merit. The question is do you want to pick one or the other or use some kind of formula.

Nisavic asked about the review of contracts. Garvey reported that she provided Carol Stream some indemnity language that would be required to be in their contract. Garvey noted that she will be reviewing all contracts for indemnity and hold harmless language to make sure it is sufficient to transfer the risk. Clark stated that the issue is do we want to have all risk extinguished or is it sufficient if part of it is. If you have a contract that is covering the entire service, you are going to get a bigger benefit for that. If you have a smaller contract that is only doing a portion of the service, you are still eliminating some of the risk. There is kind of scale built into the nature of what a municipality is doing. The feeling is if they are outsourcing 100% of the service then we use the 90% rule. If they are not outsourcing the entire service and there is still some risk to IRMA, then maybe we use something like 70% or 80%.

Rush stated that she understood where Clark was going with this, but it could get rather messy for the staff person who is making that determination. Ely stated that she would echo Rush's comment. When it comes to revenue and deductions, staff would prefer less discretion.

Nisavic stated that regardless of the language, he didn't see where you could completely eliminate liability from the community. Garvey agreed that there is no way we are going to transfer 100% of liability. Garvey stated that the 90% came from us believing that we could never transfer 100%.

Gorman asked whether we ever talked to our actuary about this in terms of the percentage of liability we thought we may be retaining. Boserup stated that Bush had started this process back in 2012 and early 2013 and he did have conversations with the actuary.

Mellor stated that Carol Stream had approached this for clarification. Clearly it is not 100% indemnification from the contractor. Mellor stated he didn't know how you would determine what percentage it is. Garvey noted that Carol Stream owns the building and the contractor runs the facility, so there is still some level of liability and risk to the village. Mellor agreed that the village still owns the treatment plant, and the contractor runs the facility. If the intent is that this doesn't warrant an outsourcing credit, then so be it, as long as nobody else is taking advantage of the credit that has a similar type of operation.

Clark stated that he was getting the sense from the group that they wanted to go with b) pick one or the other, and whether it is a full outsourcing situation or a contract situation, we stay with the 90%. If you have the revenue base deduction and the outsourcing contract, you can't put them together – you have to pick one or the other. Boserup explained that the water/sewer deduction is 50% of your water sales and the contract is 90% of the contract value.

Ely stated that she would suggest that staff draft the bylaw language and bring it back to this committee. Clark stated that the process would be to report this to the Executive Board and then bring back the bylaw language for a vote at the next Administration & Finance Committee meeting.

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II. APPROVAL OF MINUTES: May 28, 2014

A motion was made by Parker and seconded by Nisavic to approve the Administration & Finance Committee Meeting Minutes of May 28, 2014. A voice vote was called and the motion carried.

III. ✓FINANCIAL REPORTS

A. IRMA Financial Statements as of July 31, 2014
B. IRMA Investment Portfolio as of July 31, 2014
C. IRMA Payables for the period 5/1/14 – 8/31/14

Clark asked if anyone had any questions or if Boserup wanted to comment on any of the reports. Boserup stated that after the packet was mailed, she discovered that we had an internal issue. On page 13, investment income is listed as slightly under $7 million. On page 12, we show over $9 million in the actual year-to-date column. Back in April, instead of revising the entry and allocating it, the person duplicated the entry. Boserup noted that she will correct the report.

The committee discussed putting a statement on the contribution statements reminding members that they can withdraw their excess surplus fund on a quarterly basis.

A motion was made by Langlois and seconded by Helm to approve the Financial Reports as amended. A voice vote was called and the motion carried.

IV. 2nd QUARTER INVESTMENT PERFORMANCE REPORT

Goding stated that he has a couple of things to discuss – the 2nd Quarter Performance Report and also an education piece on Bank Loans.

Goding reviewed the Market Environment for the 2nd quarter, noting that the economy didn't do very well at the beginning of the year, due mostly to the weather. Goding commented that it has come back strong over the last few quarters. Unemployment keeps coming down. Inflation remains very much in check. Goding reported that Fixed Income continues to rise.

Goding reviewed the IRMA Portfolio and stated that the fund amount at the beginning of the 2nd quarter was $159,707,275.75 and the ending market value was $186,227,492.04. Goding reviewed the performance of all investment managers and the private equity composite.

Goding reviewed the education piece he distributed on Bank Loans. Bank loans are also known as floating rate loans, leveraged loans and senior secured loans. They are basically loans that are issued by banks and are backed up by some kind of asset in the company. They are fairly high on the capital structure. A typical borrower is a below investment grade company because the above investment grade borrowers would do the more traditional corporate financing. There are all types of reasons why they make these loans – expansion, refinancing, capitalizations, etc. These loans have the highest priority of claims and are secured by specific collateral. Collateral can be hard assets such as plant, equipment, machinery, or soft assets such as receivables.

Goding stated that if you elect to take a part of the Fixed Income portfolio and invest in this asset class, what you are doing is trading interest rate risk for some better risk. It's not a bad way to diversify your portfolio. Goding commented that he liked it better than the high yield bond market because of the fact that they are backed by actual assets to the company so they are higher in the capital structure of the company.

After a brief discussion, the committee asked that Goding come back to the next meeting with a look at managers, including Western Asset, and a strategy for easing into this sector. Goding stated that he felt that IRMA should commit at least 5-10% of the total fund into this.

VI. MEMBERS' RESERVE POLICY & PROCEDURE REVISION

Clark explained that when we have members that withdraw, they are earning interest on the 25% of their final year's contribution that is held until all claims in all program years of the member's participation in IRMA are closed. Staff is recommending that on an annual basis after the audited financial statements have been issued, each former Members' Reserve Fund be reviewed to assure the appropriate balance of 25% of the final year's initial contribution is in the account. Any money in excess of the required amount shall be refunded.

A motion was made by Rush and seconded by Helm to approve the revision to the Members' Reserve Policy & Procedure. A voice vote was called and the motion carried.

VII. PURCHASE & SALES POLICY REVISION

Clark explained that this item has come back from the Board of Directors for some further clarification. Ely explained that this is basically a housekeeping issue. What the policy says right now is that the Executive Director has the authority to make purchases up to $25,000 for budgeted items and any budgeted items over $25,000 goes to the Administration & Finance Committee for approval. Anything that is not budgeted has to go to the full Board.

The committee discussed and recommended changing 2 c. to read: All other purchases and expenditures must be made in accordance with the IRMA Budget Policy and remove reference to taking budgeted or non-budgeted items in excess of $25,000 to the Board of Directors.

A motion was made by Rush and seconded by Helm to approve the amended revision to the Purchase & Sales Policy. A voice vote was called and the motion carried.

VIII. PERSONNEL POLICY REVISIONS

Clark stated that the memo on page 51 was pretty self-explanatory. He did, however, have a question about the Funeral and Bereavement Leave for part-time employees, asking whether they would only get paid for their regularly scheduled days. Margo concurred with this.

Langlois commented on the sick days for caring for family members, stating that in both IRMA communities he has been with, they allowed for three sick days per year for caring for family members. They did not allow unlimited sick days to be used for family illness. Rush stated that in Woodridge, they allow 8 hours per family sickness.

Ely stated that this has been interpreted and enforced at IRMA in a manner that is inconsistent with FMLA. In other words, if one of our employees has a family member who has a serious medical condition that is eligible for FMLA, they should be able to get to their sick time. That has never been the case at IRMA.

Ely noted that we are not obligated to follow FMLA since we are under 50 employees. FMLA says that it is unpaid, but how you give the sick time is relevant to this issue. Ely stated that under FMLA, they would be able to use sick time.
Langlois stated that he would be interested in seeing what other members' policies on this are. Helm noted that Crystal Lake's policy is wide open. Rush stated that the reason for the policy is because of the amount of overtime generated particularly in public safety. Ely noted that IRMA would not have any overtime ramifications. If you

take that out of the equation, what is the employer or business reason for that kind of restriction? Langlois stated that it was for business reasons – getting the work done.

Langlois stated that he would have a problem with offering unlimited sick days being used for family illness, but would be interested in surveying the membership to see how they handle their policy. Ely stated she would be happy to survey members, but wanted to explain that in this workplace, she doesn't see a financial ramification to the ability to use sick leave for family members for the majority of the workforce. Ely stated that she has a lot of discretion as the Executive Director to make sure that the sick leave is being used appropriately. Ely commented that she thought the message to the staff by giving them a sick leave bank and telling them they can't use it when they have a sick family member and they need to use their vacation time, is not the message that this organization should send. It is not family friendly and is not consistent with the flexible workplace atmosphere that we have here with the existing staff. Ely added that we have an FMLA policy and we don't have to have an FLMA policy and to tell someone that if they are sick they can use sick time, but if your child is sick with a serious medical condition, you have to burn through your vacation time, is not the management philosophy that she has.

A motion was made by Gorman and seconded by Helm to approve the revisions to the personnel handbook as presented.

The committee reviewed the Disclaimer on page 62. Ely stated that past practice has been to have all personnel handbook revisions go to the full Board, regardless of whether there are financial ramifications or not. Ely stated that she looked at this and there is nothing in the bylaws that supports that past practice. Ely stated that unless a revision has a financial ramification, she doesn't think it should have to go to the full Board.

Gorman stated that she felt that the Executive Director has an Executive Board and doesn't feel that items that don't have a financial impact need to go to the full Board. Helm stated that can it just go to the Executive Board. Rush stated that only monetary revisions, including leave, should go to the Board of Directors. All other revisions should go to the Executive Board. For clarification, Ely stated that monetary revisions would have to do with compensation and benefits.

Gorman amended her original motion to approve the revisions as presented, but to change the language in the Disclaimer to have all monetary revisions approved by the full Board of Directors. The amended motion was seconded by Helm.

After a brief discussion, Gorman amended the amended motion to approve the revisions with the amendment that any changes made in the personnel handbook will go to the Executive Board and they will make the determination if it is to go onto the full Board of Directors. Helm seconded the amended motion.

Sagona asked what role the Administration & Finance Committee would have in all this. Clark stated that he felt comfortable with revisions flowing through the Administration & Finance Committee first and then onto the Executive Board. The Executive Board would make the determination of whether or not to send to the full Board.

After a brief discussion, Gorman amended the motion to state that all personnel handbook revisions would flow through the Administration and Finance Committee and then to the Executive Board and the Executive Board would make the determination of whether the revisions need to go to the full Board of Directors. Helm seconded the amended motion. A voice vote was called and the motion carried. The Disclaimer on page 62 will now read "… at the discretion of the Executive Board …"

IX. 2015 PERSONNEL REPORT

Ely stated that the personnel report is part of the preliminary budget. Attached to the report is a job description of the upgraded Principal Accounting Clerk's position to an Accounting/Financial Analyst position. Ely stated that we have interviewed several people and have one of the front runners coming in to work part-time for us while we continue to conduct interviews.

Ely noted that staff is asking for approval of a 2% increase to the salary ranges for 2015, which is consistent with CPI, and a 3% merit increase, which is consistent with prior 3-4 fiscal years and also consistent with the information provided by the Hay Group and World at Work. Ely stated that IRMA has not conducted a compensation study since 2007 and is asking for budget of $15,000 to conduct a study. Ely also stated that she would like to have the opportunity to have a bonus program that is outlined on page 73 of the packet. Ely stated that she would have a form that would outline why they were getting a bonus, so the staff member would have something in writing telling them why they were getting the bonus.

The committee had a brief discussion. Langlois stated that he felt that the salary range for the new position seemed high. After discussion, it was determined that the position's salary range should be amended to be $54,800 - $82,400.

A motion was made by Rush and seconded by Parker to approve the 2015 Personnel Report with the range adjustment of the Accounting/Financial Analyst. A voice vote was called and the motion carried.

X. INFORMATION TECHNOLOGY STRATEGIC PLAN

Ely reported that an RFP was issued in late June. The proposals received back were too expensive, so we narrowed our scope and reissued the RFP and limited the scope to internal and deleted reference to end users. The proposals came in a more achievable manner. We have awarded the contract to Sikich LLP, who turned it around in two weeks so we could bring it to the Administration & Finance Committee. During the two weeks, Sikich met with every one of our staff members; they studied all our equipment; and, gave us the summary that was included in memo on IT Strategic Technology Assessment.

Ely reported that in assessing our equipment, Sikich found that we have several vulnerabilities. Our equipment is old and has not been maintained. At this point, our IT service is being provided by Boserup. We have used Sentinel who gave us one high level engineer one day per month who mainly worked on hardware and server maintenance – not software. This past June Sentinel gave us an IT generalist who comes in twice a week, which has worked out well for us. What we found out from the Sikich assessment is that the high level engineer from Sentinel hasn't really been keeping us apprised of our system ineptitudes and there is a higher level of service available. What we are asking for is the authority to negotiate with Sikich a maintenance service agreement at a cost that won't exceed what we are currently paying Sentinel in total. We believe that we will be able to achieve that with a 3 year fixed price agreement. Ely stated that we are currently paying about $42,000 per year and Sikich should be more like $50,000 per year.

After a brief discussion, a motion was made by Helm and seconded by Rush to authorize staff to negotiate a Managed Services Agreement with Sikich at a cost not to exceed the 2015 Preliminary Budget for IT services. A voice vote was called and the motion carried.

XI. 2015 PRELIMINARY BUDGET

Ely stated that most of the items in the preliminary budget have been discussed during the meeting. Ely reported that health insurance will increase by 6% and other increases were listed in the memo in the packet.

A motion was made by Rush and seconded by Langlois to approve the 2015 Preliminary Budget. A voice vote was called and the motion carried.

XII. ADDITIONS TO AGENDA

There were no additions to the agenda.

XIII. CONFIRMATION OF NEXT MEETING

Clark noted that the next meeting of the Administration and Finance Committee is scheduled for Thursday, November 13, 2014 at 9:30a.m., at the IRMA office.

XIV. ADJOURNMENT

A motion was made by Helm and seconded by Sagona to adjourn the meeting. A voice vote was called and the motion carried.

Submitted by:

Rita Boserup
Director of Financial Services & Administration

Approved By:

Dave Clark
Chair, Administration & Finance Committee