

**2009 BUDGET**  
**for**  
**OTTAWA COUNTY**  
**GRAND HAVEN, MICHIGAN**  
**[www.miottawa.org](http://www.miottawa.org)**

2008 BOARD OF COMMISSIONERS

DONALD G. DISSELKOEN, CHAIRPERSON

EDWARD BERGHORST  
MATTHEW HEHL  
JAMES C. HOLTROP  
JIM HOLTVLUWER  
JOYCE KORTMAN

PHILIP KUYERS  
JANE M. RUITER  
ROGER RYCENGA  
GORDON SCHROTENBOER  
DENNIS W. SWARTOUT

ADMINISTRATOR  
ALAN G. VANDERBERG

FISCAL SERVICES DIRECTOR  
JUNE A. HAGAN

PREPARED BY:  
THE FISCAL SERVICES DEPARTMENT

## TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page Number</u>
Letter of Transmittal	1
Distinguished Budget Presentation Award	34
Organizational Chart	36
 <u>USER'S REFERENCE GUIDE</u>	
Document Guide	37
Budget Calendar	44
County Financial Policies	46
Property Tax/Levies	56
County Personnel Additions	59
County Capital Equipment Additions	60
Financial Outlook and Strategic Planning	62
 <u>SUMMARY INFORMATION</u>	
2009 Budget Summary - All Governmental Funds	96
Summary by Fund for 2007, 2008, and 2009	97
2009 Budget Summary - Other Funds	142
2009 Budget Summary - Component Units	143
 <u>REVENUE SOURCES</u>	 144
 <u>GENERAL FUND</u>	
Fund Description	156
Revenue Graphic	156
Expenditure Graphic	157
Departmental Summary of Revenues	158
Departmental Summary of Expenditures	160
 <u>Expenditure Type</u>	
Legislative	163
Judicial	167
General Government	190
Public Safety	245
Public Works	268
Health and Welfare	270
Community and Economic Development	274
Other	283
Operating Transfers Out	287

## TABLE OF CONTENTS

<u>SPECIAL REVENUE FUNDS</u>	<u>Fund Number</u>	<u>Page Number</u>
Fund Descriptions		290
Summary of Special Revenue Funds		294
Parks and Recreation	2081	295
Friend of the Court	2160	299
9/30 Judicial Grants	2170	302
Health	2210	303
Administration/Epidemiology Division		304
Public Health Preparedness		307
Environmental Health Division		311
Public Health Services Division - Community Health		315
Public Health Services Division – Clinic		322
Health Promotion Division		325
Mental Health	2220	339
Developmentally Disabled Division		340
Other Populations		342
Mentally Ill Adult Division		343
Mentally Ill Child Division		344
Administration Division		345
Solid Waste Clean-Up	2271	347
Landfill Tipping Fees	2272	348
Transportation System	2320	350
Planning Commission	2420	351
Infrastructure	2444	352
Public Improvement Fund	2450	353
Homestead Property Tax	2550	354
Register of Deeds Automation Fund	2560	355
Stabilization	2570	356
Prosecuting Attorney Grants	2601	357
COPS FAST Allendale	2608	359
Sheriff Grant Programs	2609	360
Sheriff Contracts	2610	361
EMT Holland - Park	2640	362
EMT Georgetown Township	2650	363
Sheriff Road Patrol	2661	364
Law Library	2690	365
Workforce Investment Act - Administration	2740	366
Workforce Investment Act - Youth	2741	367
Workforce Investment Act - Adult	2742	368
Workforce Investment Act - 6/30 Grant Programs	2743	369
Workforce Investment Act - 12/31 Grant Programs	2744	370
Workforce Investment Act - 9/30 Grant Programs	2748	371

## TABLE OF CONTENTS

<u>SPECIAL REVENUE FUNDS (continued)</u>	<u>Fund Number</u>	<u>Page Number</u>
Workforce Investment Act - 3/31 Grant Programs	2749	372
Grant Programs - Pass Thru	2750	373
Emergency Feeding	2800	374
Federal Emergency Management Agency	2810	375
Community Corrections	2850	376
Revenue Sharing Reserve	2855	378
Community Action Agency	2870	379
Weatherization	2890	380
Family Independence Agency	2900	381
Child Care – Circuit Court	2920	382
Child Care - Social Services	2921	383
Soldiers & Sailors Relief	2930	384
Veterans Trust	2940	385
Compensated Absences	2980	386

### DEBT SERVICE FUNDS

Ottawa County Building Authority	5690 - 5695	387
County Debt Information		388
Schedule of Debt Service Requirements		392

### CAPITAL PROJECTS FUNDS

Ottawa County Building Authority	5690 - 5695	393
Capital Construction Projects (narrative)		394
Schedule of Capital Construction Projects – Construction Costs		399
Schedule of Capital Construction Projects – Anticipated Operating Costs		400

### PERMANENT FUNDS

Cemetery Trust	1500	401
----------------	------	-----

### APPENDIX

Resolution to approve 2009 Operating Budget		402
2009 Budget Summary by Fund-All Governmental Funds		405
Financing Tools Projections		419

## **TABLE OF CONTENTS**

### **APPENDIX (continued)**

History of Positions by Fund	435
Approved 2009 Equipment Requests	441
Community Profile	451
County of Ottawa Financial Policies	460
Glossary of Budget and Finance Terms	535



# County of Ottawa

## Administrator's Office

Alan G. Vanderberg  
County Administrator

12220 Fillmore Street, Room 310, West Olive, Michigan 49460

West Olive (616) 738-4068

Fax (616) 738-4888

Grand Haven (616) 846-8295

Grand Rapids (616) 662-3100

e-mail: avander@miottawa.org

October 28, 2008

Board of County Commissioners and Citizens of Ottawa County:

Transmitted herein are the 2009 Operating Budgets for County operations. The combined budget, including component units, totals \$241,494,129 and is balanced in that revenues and fund balance in all funds are anticipated to meet or exceed expenditures. The budget is presented in conformance with Public Act 2 of 1968 and in accordance with Public Act 621 of 1978, known as the "Uniform Budget and Accounting Act."

Included in the 2009 document is a User's Reference Guide to assist the reader through the document and address a variety of commonly asked questions and concerns. Also included in the User's Reference Guide is the County's updated strategic plan. Summary information is provided to give the reader a broad overview of the County's 2009 budget. The Revenue Sources section provides information on key revenue sources.

The budget document is organized by fund type. All governmental funds contain a summary of revenues and expenditures by type (e.g., taxes, intergovernmental, personnel services, supplies). The General Fund and certain large special revenue funds (e.g., Health, Mental Health) also include departmental summaries by revenue/expenditure type. Although the budgets are reported by revenue/expenditure type, the legal level of control is at line item.

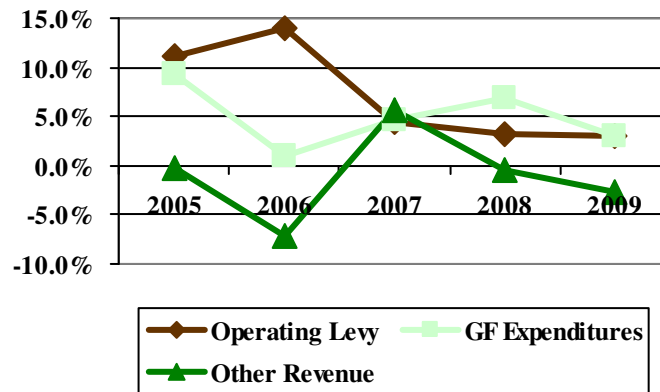
An appendix and an index are also included to provide other information and assist in locating desired information.

### **FINANCIAL ISSUES**

The 2009 budget process focused on providing quality services and programs amidst continued fiscal challenges. Multiple revenue sources are on a flat or declining trend while certain expenditures are increasing in excess of inflation. In addition, the 2009 Budget reflects the success of the initial long term deficit reduction plan developed in 2004 as well as the need for a new deficit reduction plan.

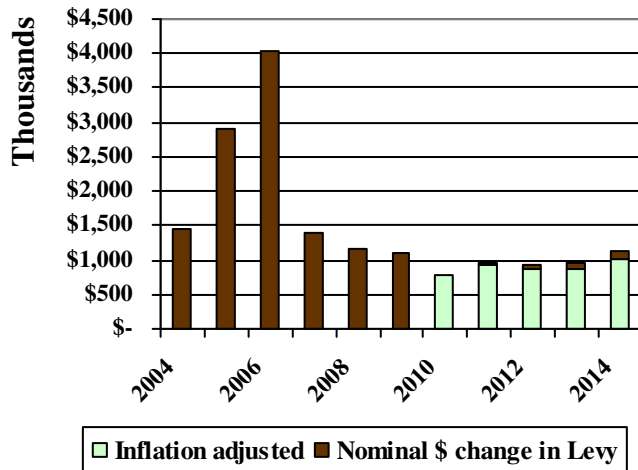
For many years, the County's finances were robust and able to accommodate both mandated services as well as certain discretionary programs approved by the Board of Commissioners. Strong growth in population and by extension, the tax base, provided the necessary funds to cover programs on a consistent basis. However, this trend has changed. The graph below shows the percentage change for the operating levy tax revenue, other revenue, and expenditures for 2005 – 2009:

Trends in General Fund Tax Levy, Other Revenue, and Expenditures



From 2005 – 2007, the increase in the tax revenue from the operating levy (in brown) outpaced the increase in expenditures (in light green). Unfortunately, beginning with 2008, the increase in expenditures is now outpacing the increase in tax revenue. Other revenue is actually on the decline.

Change in Operating Tax Dollars Received



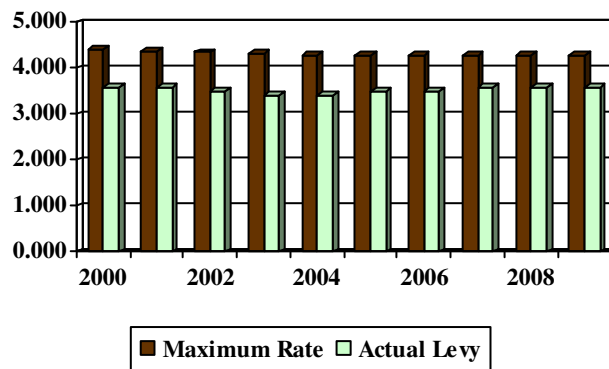
This trend is expected to continue. Although the increases in 2004 – 2006 (particularly 2006) were also affected by the move of the levy from December of the preceding year to July of the budget year, the chart to the left shows a flat trend going forward in this major revenue source. It is important to note that the operating levy increased from 3.5 mills in 2006 to 3.6 mills in 2007 (where it has since remained). In short, since expenditures are projected to rise due to inflationary pressures and increasing demands for

service, the tax base will struggle to accommodate those increases.

**Property Tax Revenue and the Citizen Tax Burden:** There are several ways to address this trend including increasing the operating tax levy. However, the County remains sensitive to taxpayer contributions. Ottawa County has a maximum tax limit of approximately 4.2650 mills for 2009 County operations. Like most taxpayers and other government entities, Ottawa County has suffered from the economic downturn occurring simultaneously with double-

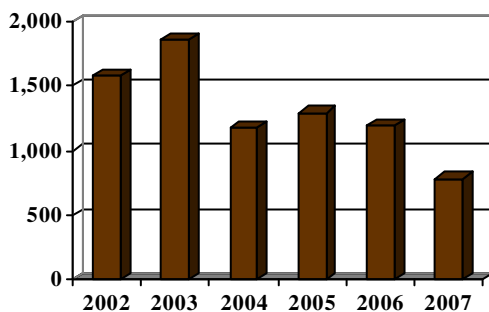
digit increases in certain expenditures. As part of the deficit reduction plan, the County had originally planned to increase the levy by .1 mill to 3.7 mills with the 2009 budget. However, in an effort to reduce the tax burden on County citizens, the Board has chosen to continue to levy the lower 2008 amount - 3.6 mills - for 2009 operations. The County continues to levy well below its legal maximum levy. **Specifically, the difference in the levy from the maximum of 4.2650 mills to 3.6000 mills represents a 16% savings to the taxpayers.** This is the thirteenth consecutive year that the County has levied less than the maximum. The following graph shows a history of the maximum allowable millage rate for County operations versus the actual levy for budget years 2000 - 2009:

### Maximum Allowable Levy vs. Actual Levy

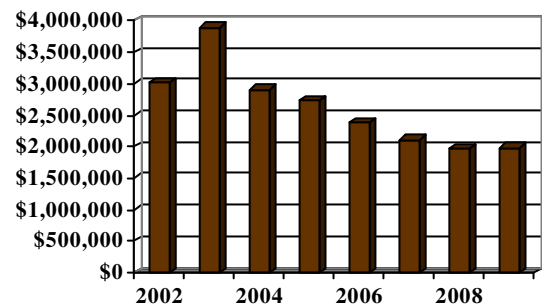


**Housing Decline:** News reports continue to highlight the decline in the housing market. In addition to the effect on property taxes, this also impacts Register of Deeds revenue. A significant portion of County revenue comes from the Register of Deeds office for fees associated with the recordation of deeds. Specifically, the 2009 budget is nearly \$2 million less than the revenue high recorded in 2003.

Reported Privately Owned Residential Building Permits



Register of Deeds Revenue



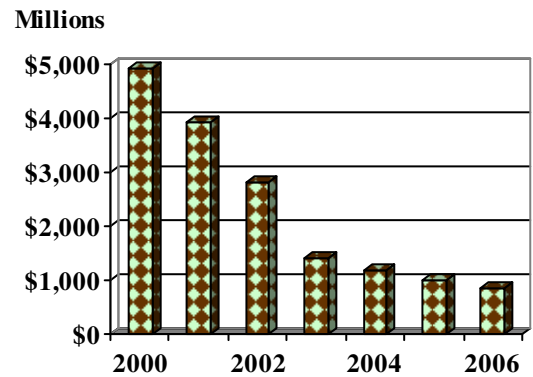
**State Funding:** The State of Michigan continues to experience major challenges in balancing its budget. These challenges have been ongoing for the last several years. The following information taken from the State of Michigan's Comprehensive Annual Financial Report shows the State's deteriorating position:



State of Michigan Financial Results - 2007  
(in thousands)

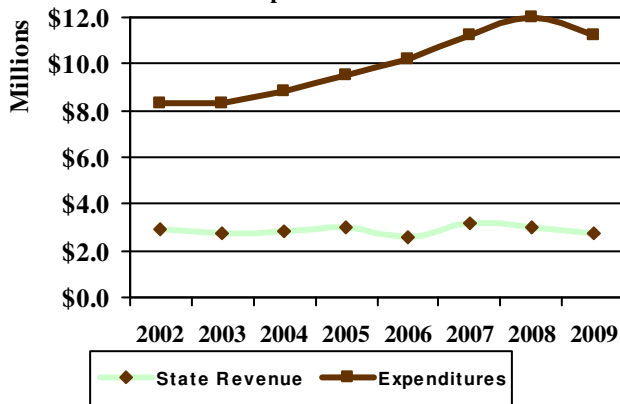
	State General Fund
Total Fund Balance 9/30/05	\$1,453,393,000
Total Fund Balance 9/30/06	\$1,069,240,000
Total Fund Balance 9/30/07	\$982,028
\$ Change in Fund Balance	(\$1,068,257,972)
% Change in Fund Balance	-99.9%
Total Fund Balance 9/30/07	\$982,028
2007 Expenditures	\$24,019,228
2007 Fund Balance as a % of Expenditures	4.1%

State of Michigan Pooled Cash Balance



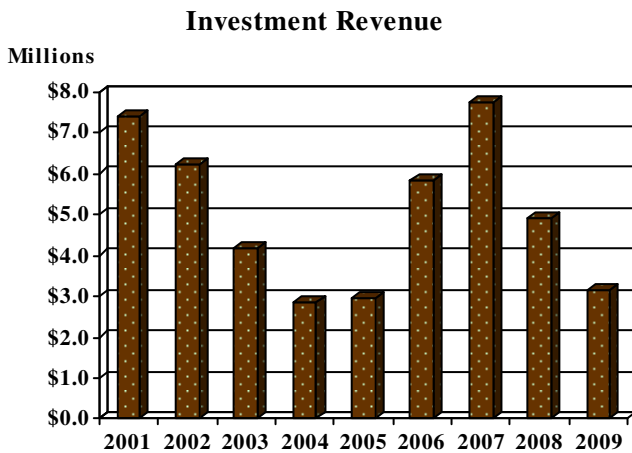
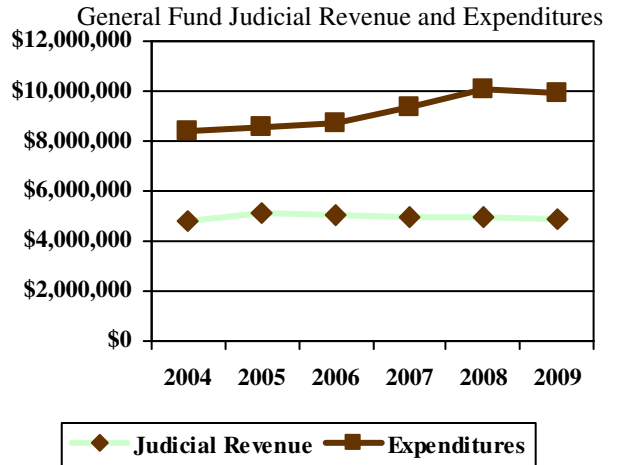
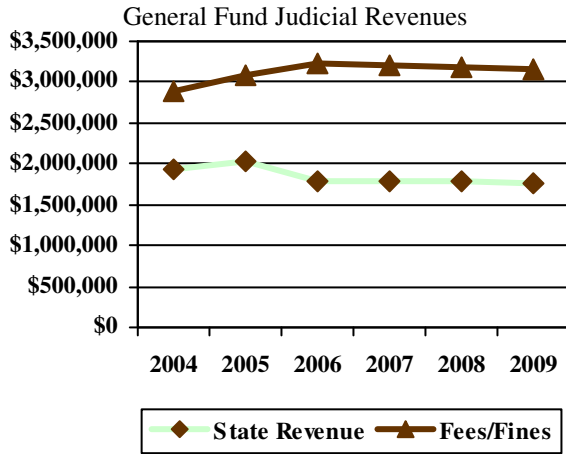
From the table and graph above, it is clear the State is spending down its General Fund equity. Generally, entities are advised to have at least 10-15% of expenditures covered in their fund balance. The State's financial statement indicates 4.1%, but from an ongoing operations standpoint, the news is actually worse than the table above indicates. During 2007, the State General fund received a transfer from the Michigan Tobacco Settlement Finance Authority. The Authority issued asset backed bonds of \$527.9 million to get necessary cash for both the General Fund and the School Aid fund. These are one time dollars. Clearly, the State's financial health is deteriorating. Consequently, the County is anticipating additional funding cuts.

Health Department State Revenue and Total Expenditures



The County receives State funding for a variety of programs, and State funding for Public Health programs is one of the hardest hit areas. Decreases in State funding or flat revenue have resulted in the choice between increasing local funding or eliminating these programs. The graph to the left reflects the State funding changes in relation to expenditures that Ottawa County is experiencing.

Revenues received for judicial functions are also problematic. State revenue and even fines and forfeits are flat to declining. At the same time, expenditures have increased substantially, creating a greater gap for local dollars to fund. The graphs that follow indicate this trend.

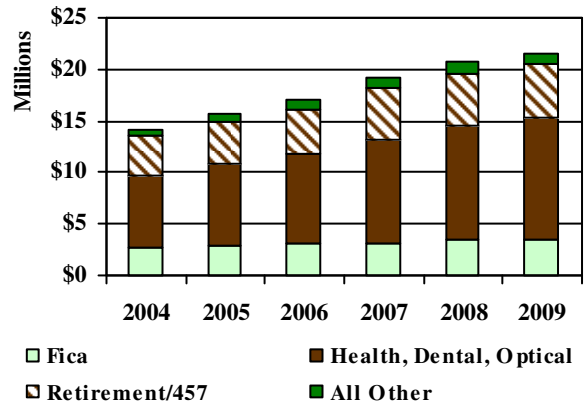


**Investment Revenue:** Interest revenue includes realized and unrealized capital gains and losses reported through a change in fair value as well as actual interest received. In fiscal year 2001 and prior, the County's portfolio reported significant gains of nearly \$7.4 million dollars (including the Ottawa County, Michigan Insurance Authority). Over the subsequent 3 years, unrealized capital losses were reported causing a decline in investment earnings while maintaining a positive cash flow in interest revenue.

During this period, interest rates reached an all time low. The County's investment portfolio is laddered over a 5 to 7 year period with an average maturity just under 2 years. By laddering the portfolio, the changes in interest rates are averaged in while providing opportunity for swings in fair market value. It is important to note that although the fair value has fallen, the County intends to hold these investments to maturity; therefore, the fair market losses are not expected to be realized. Market values at 12/31/07 were temporarily high, resulting in strong earnings. However, beginning in 2008, cash balances are being reduced as the County funds \$20 million of the Fillmore facility expansion and the new Grand Haven Facility. Assuming an annual return of 4% - 5%, the investment revenue used for operations will decrease by \$800,000 - \$1,000,000 per year for the County as a whole, as projected when the financing plan for the projects was adopted. In addition, market values have suffered during fiscal year 2008. The previous graph illustrates these trends.

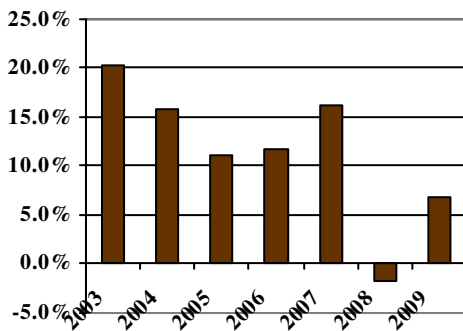
**Expenditures:** Like most organizations, the County faces continued increases in expenditures, and, over time, these increases negatively impact the provision of services.

**Employee Insurance:** Employers everywhere have been feeling the pinch of increased health care costs. For several years, Ottawa County saw double digit increases in the cost of health insurance. In the graph to the right, the portion in brown represents the costs for health, dental and optical coverage. These costs are the main drivers in the increase in fringe benefit costs.



To alleviate the impact of rising fringe benefit costs, the County established self-insurance programs several years ago. These programs have softened the blow of increased benefit costs to departments. Unfortunately, the upward pressure on prescription costs as well as general medical care has necessitated that a portion of these costs be passed on to employees. In fact, employee co-pays will increase to 10 percent of the total actuarially determined cost of the coverage over the next two years. In addition, prescription co-pays have also been increased.

Percentage Change in Health, Dental, and Optical Insurance



The County has begun to see the benefit of these changes as evidenced by the graph to the left. 2007 was an anomaly as indicated by the decrease in cost for 2008. The rate for 2009 increased by only 6.8% compared to national trends of 12%. In addition, the Labor Management Cooperation Committee has begun to work on a health care coach disease management plan to help keep claims costs down.

**Other Post Employment Benefits:** The County implemented Governmental Accounting Standards Board Statement # 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, also known as OPEB, with the 2008 budget. Ottawa County has two sources of OPEB. Retirees of certain employee groups receive a credit of \$8-\$10 per month per year of service on their health insurance. In addition, the County allows retirees under age 65 that were hired before January 1, 2008 to purchase health insurance at group rates. For calendar year 2009, the County’s annual required contribution (for all funds) is \$913,000.

**Facilities Cost:** In July of 2007, the Board of Commissioners approved the revised funding plan for the addition to the Fillmore Complex and the new Courthouse in Grand Haven. The estimated cost for the two projects is \$30 million. The County issued \$10 million in bonds in October of 2007. Total debt service payments for the project are projected to be \$760,000 per year. The County plans to take the payment amounts from the following funds in the indicated proportion:

- Ottawa County, Michigan Insurance Authority - 20%, up to \$150,000/yr
- Telecommunications - 20%, up to \$150,000/yr
- Delinquent Tax Revolving Fund - 20%, up to \$150,000/yr
- Infrastructure - 17%, up to \$125,000/yr
- Public Improvement - 23%, remainder of payment

Payments began in 2008 and continue for 20 years. Although the payments are not anticipated to affect the function of these funds, investment income will be impacted as mentioned earlier.

It is important to note that these buildings come with more than just debt repayment costs. The Fillmore project is an expansion, and the new Grand Haven facility is significantly larger than the current one. Accordingly, the costs to operate these buildings will also be higher, permanently increasing operational costs. At the Fillmore Street addition which is approximately 40 percent larger, the building operating budget for 2009 is \$167,000 higher than actual 2007 expenditures, an increase of 25 percent. At the Grand Haven facility, which will be approximately 35 percent larger, only a portion of 2009 will sustain the higher operation costs depending on when construction is finished. The 2009 budget for that facility is \$160,000 higher than actual 2007 expenditures, an increase of 30 percent. Some of these increases are due to projected utility price increases, but a larger portion of the increase is due to the additional square footage. These estimates do not reflect additional buildings and grounds staffing needs which are unknown at this time. Please see the Capital Projects funds section of this document for additional information.

**Unfunded Mandates:** Unfunded mandates are state or federal legal requirements which result in financial obligations on local governments without corresponding revenue. The concern over unfunded mandates was identified in the County's Strategic Plan and continues to be monitored as new legislation is considered. During 2005, the first draft of the study of mandated and non-mandated services was completed which identifies specific functions in each department that are mandated, non-mandated but necessary and non-mandated discretionary. During 2006, departments were asked to assign costs to the discretionary services. During 2007, the Board of Commissioners completed their first ranking of discretionary services. Two additional rankings have been completed during 2008. The rankings provided an additional tool to identify reductions in the 2009 budget.

**Balancing the 2009 Budget:** The upward pressure on expenditures combined with flat or decreasing revenue results in a deficit for the 2009 General Fund budget as submitted by departments. Specifically, expenditure requests exceeded projected revenues by nearly \$7.4 million, including personnel requests. Certain corrections and the removal of most personnel requests reduced the gap to \$5.5 million. The 2008 budget submitted by departments came in with expenditures exceeding revenues by under \$2.5 million. The County used a combination of refinement, line reductions and program reductions to balance the budget.

Refinements:

One option to balance the budget was to increase the millage. In fact, the original deficit reduction plan included the millage increasing to 3.7 mills by 2007. However, the County also wanted to avoid a tax increase when its citizens are already suffering from economic conditions.

In addition, the County is facing uncertainties with possible additional cuts in State funding as well as concerns over its tax base. These concerns will likely exist not just in 2009, but also for several years forward. Administration wants to preserve flexibility to deal with potential future problems. Consequently, there is no increase in the tax levy for 2009. However, after additional analysis of the tax base on a parcel by parcel basis by Equalization and Administrative staff, the taxable value was increased from a 1.28% projected increase to a 3.35% projected increase, increasing revenue by \$609,000.

Significant budget balancing came on the expenditure side. Specifically, expenditures were decreased by \$3.1 million. Since the County provides services, the largest portion of its costs are personnel costs. Consequently, anything affecting personnel costs has a major effect on the financial outcomes. Over the past three years, the total position vacancies for the year in the General Fund equate to eight to nine positions vacant for a full year. In addition, the Health department also has historically had significant vacancies. Accordingly, salaries and applicable fringe benefits and were reduced by \$300,000, and the Operating Transfer from the General Fund to the Health fund was reduced by \$75,000 to reflect anticipated vacancies.

Position vacancies are significant, but departmental charges for health insurance are significantly reduced when employees opt out of insurance. For each full time equivalent, a department will be charged \$11,994 for the year. For employees that opt out of health insurance coverage, the amount drops to \$500. In the General Fund, approximately 32 full time equivalents opt out of insurance coverage. In the Health fund, approximately 11 full time equivalents opt out. As a result, the health insurance budgets were decreased by \$330,000 in the General Fund, and the Operating Transfer from the General Fund to the Health fund was reduced by \$120,000 to reflect anticipated health insurance opt outs.

In 2008, the County implemented Governmental Accounting Standards Board statement #45, Accounting and Financial Reporting by Employers for Other Post Employment Benefits Other Than Pensions (OPEB). The County is funding the annual required contribution as determined by the actuary. Based on current claims, the County believes an experience credit on the actuarially determined rates is appropriate. Accordingly, the County reduced the charges to departments by approximately \$454,000. The effect of this reduction on the General Fund was approximately \$297,000. However, the County will transfer the full amount of the annual required contribution of \$913,000 to the trust established for OPEB. The amount not collected from department chargebacks will be paid from the fund balance of the Protected Self-Funded Employee Insurance Fund (Internal Service Fund 6771).

As the budget process advanced, additional information was obtained on programs that resulted in additional refinements. The County share of drain assessments was reduced by \$129,000 to reflect the revised project schedule. In addition, County funding of the Friend of the Court program was reduced by \$186,000 based on changes in the recording of incentive payments. However, the 2009 contribution amounts for the Municipal Employees Retirement System (MERS) were received and required and upward adjustment.

### Individual Line Adjustments:

In addition to the above refinements, the County did reduce individual lines. For the most part, these reductions are not anticipated to reduce services or operations. Various divisions of the Family Court included a software development proposal with their 2009 requested budget for which the County costs would have been approximately \$454,000. Significant improvements have been made in the last few years to the Juvenile division computer system, and the proposal was to revamp other Court divisions. However, due primarily to budget concerns, funds for this project were removed. \$500,000 in new financial software had also been requested, but due to budget concerns, the \$100,000 initially budgeted for 2009 was removed until a funding source can be confirmed. In addition, other equipment originally included in the 2009 budget was not recommended, and these items reduced the budget by \$238,000.

Building rent for the Health department was also reduced. The County has paid cash for most building construction in the past and charges departments for the building amortization cost. In the past, the rent charges would remain after the building was fully amortized to reflect the market price for rent. The payments representing the amortization portion were deposited into the Public Improvement fund. These charges have been discontinued, allowing the County to reduce the General Fund operating transfer by \$201,000. In addition, the budgets for conferences and travel were also reduced, generally by 20%.

The remaining individual line reductions were spread across several departments. Expenditures in several departments are inconsistent from year to year. For example, expenditures in building and grounds can vary due to small improvement projects (e.g., painting, carpeting) as well as equipment failures and inclement weather. Expenditures in the jail can vary depending on the average daily population of the facility. Most departments, in order to be conservative, budget for the maximum they might spend. However, due to tightening budgets, these contingency amounts included in the department budget have been removed. The County budget already includes over \$500,000 for contingencies in a separate line. Although some of the amounts removed from departmental budgets may be needed, contingency funds from this separate line can be used to cover them.

### Program Reductions:

The above refinements and line item reductions were not enough to balance the budget. Consequently, Administration and the Board looked at program reductions. Previously, the elimination of programs was due to department efficiency and effectiveness studies or the elimination of redundancies. With the 2009 budget, it was necessary to reduce programs that were functioning well. For several years, the Parks department has had a dedicated millage to fund its operations and provide funds for park development. Upon the start of the millage, the County capped and continued the operating transfer from the General Fund to the Parks department at \$530,000. However, with the 2009 budget, the transfer has been reduced to \$298,370.

The Health department also sustained significant program reductions totaling \$486,000 which eliminates 6.9 full time equivalents. These are in addition to other adjustments used to balance the budget. In identifying the program reductions, the Health Department's goal is to

minimize the impact to the public and preserve the services that are most important to the community and are in the best interest of public health.

The Health department will no longer be delivering services from its Coopersville office effective in 2009, but will still be providing home-based services and immunizations in Coopersville. Further review of Community Mental Health and District Court services located at the Coopersville Health and Human Services facility is occurring and may result in the elimination of all services currently provided at this facility. The County owns the facility and plans to look at options to lease the space. This will allow the County to resume services in Coopersville if a future evaluation reports greater need.

In addition, the Epidemiologist position and most of the associated expenditures have been eliminated for 2009. The County will maintain reporting requirements to the State, but will work with regional and state partners to access basic services. The Fluoride mouth rinse program for school children has been eliminated. Significant reductions have also been made to the Substance Abuse Prevention and Community Health Assessment programs.

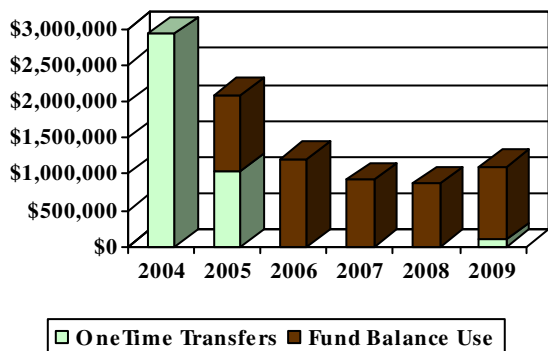
The County had been providing maternal and infant health services to clients not eligible for Medicaid. The Health department will phase this program out to focus on high risk Medicaid eligible clients. The Health department will also discontinue the First Class Delivery program which is aimed at teen-aged women uncomfortable in the traditional prenatal class setting. The hope is the hospitals will address this need in the community. The Health department is also raising fees for the Travel Immunization program and was able to identify other efficiencies that would save money.

After the refinements, line item adjustments, and program reductions were made, the County budget was still \$1.5 million short. Although the County Board has completed multiple rankings of discretionary services in the County, the mandatory services have not been analyzed. The County must fund mandatory services, but the level of service provided is generally not specified. An analysis is underway to allow for a ranking of mandatory services as well. When completed, the mandatory and discretionary rankings together will provide a prioritization for use in County budgeting. Allowing more time for the combined ranking will allow for the possibility that the Board might value the provision of more discretionary services than a mandated service at a specific level. As a result, the 2009 budget is using \$500,000 in one-time dollars from the Compensated Absences fund to delay additional discretionary program cuts until they can be ranked in concert with mandatory programs.

This left the gap between revenues and expenditures at \$1,000,000. In addition to considering tax increases and reducing expenditures, one-time dollars such as fund balance or operating transfers from other funds may be used in the short term to balance the budget. However, it is important to show continued progress in matching operational revenues with operational expenditures. Consequently, the County's goal was to avoid a large increase in fund balance/one-time dollars use. The 2009 budget includes undesignated fund balance use of \$1,000,000 which equates to 1.4% of total expenditures. This compares favorably to the budgeted fund balance use with the 2008 Adopted Budget of \$864,000, the 2007 Adopted Budget of \$925,000 and 2006 Adopted Budget of \$1.2 million.

Historically, at year end, the County's expenditures have come in under budget by a greater percentage. **Consequently, the County does not anticipate a reduction in undesignated fund balance at the end of 2009.** This strategy has been chosen to avoid unnecessary tax increases and program reductions.

**General Fund Budget Balancing Strategies**



In fact, the County General Fund has been able to significantly decrease its use of fund balance and one time dollars over the past few years. Specifically, the 2004 Budget as adopted included one-time transfers of \$2.9 million for operations. With the 2009 Budget, the non-recurring funding sources total \$1.5 million.

**Long-Term Financial Plans:** The County's strategic plan addresses the goal of maintaining and improving the financial position of the County. An objective is to identify and develop strategies to address potential financial threats. One method used to identify threats is to project financial activity out five years for the General Fund. The current projections show that expenditures will continue to outpace revenues, reducing the County's fund balance rather quickly if strategies are not developed to address this issue. It is clear that some of the negative revenue trends are not just temporary setbacks, but represent potential permanent operating reductions.

In 2005, the County implemented the following strategies to reduce future operational deficits:

- Raise the operating millage levy .1 mill in 2005, 2006, and 2007.
- General Fund hiring freeze for new full-time positions in 2006
- Increase employee health insurance co-pay from 3% to 10%
- Improve disease prevention and management to reduce health care costs
- Review and rank discretionary services for possible reductions

The County has implemented or is in the process of implementation for most of the strategies. The tax levy was increased by .1 mill in 2005, but the County determined they could delay the additional .1 mill increase planned for the 2006 Budget. The rate increased by .1 mill with the 2007 Budget and was held steady for the 2008 and 2009 budgets. However, the difference between what the County could levy and will levy ("the cushion") remains at a healthy \$6.8 million.

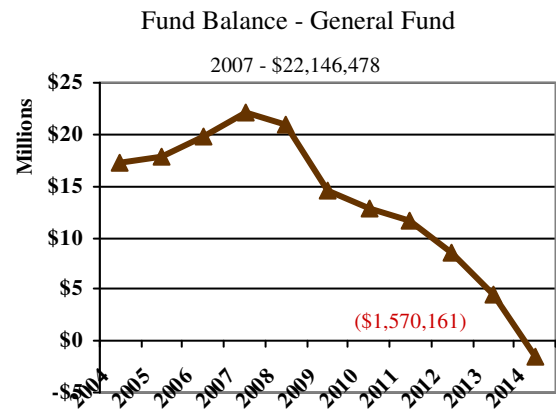
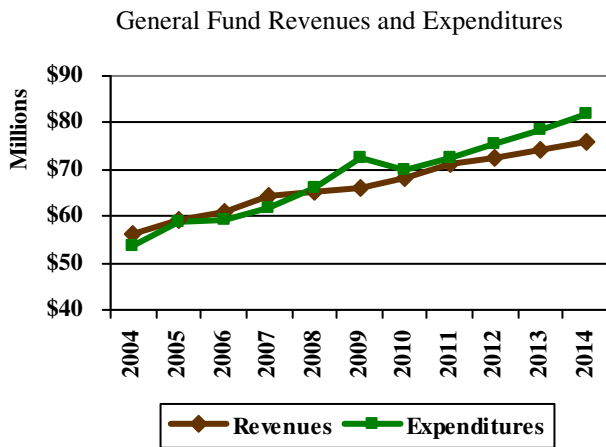
As planned, the County did institute a hiring freeze for full time positions funded by the General Fund in the 2006 Budget and extended it into the 2007 and 2008 Budgets. However, based on service demands, 6.3 full time equivalents have been added with the 2009 budget.



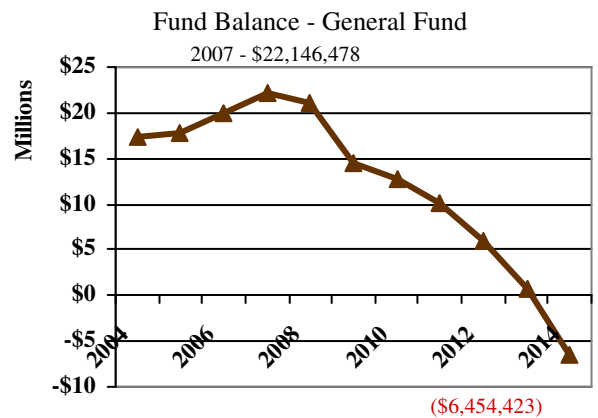
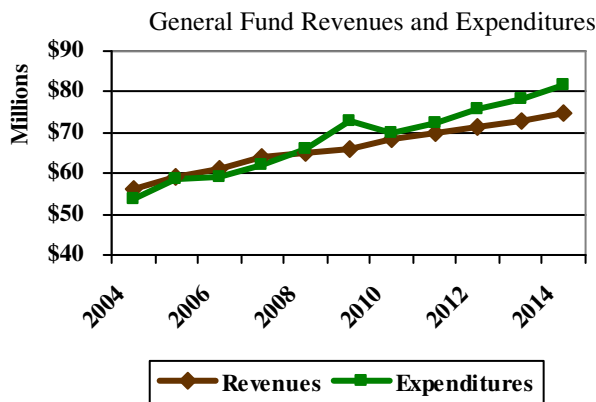
The 2009 insurance co-pay for all employees will increase from 8 percent to 9 percent of the actuarially determined cost effective January 1, 2009. The County's negotiating team has included these co-pay increases in the contracts of the County's bargaining units until they reach 10 percent.

These strategies have positively impacted County finances. However, recent developments on both the revenue and expenditure sides have identified the need for additional response. Tax base concerns and the reinstatement of revenue sharing are of particular concern. The graphs that follow reflect historical trends and future projections under three different scenarios:

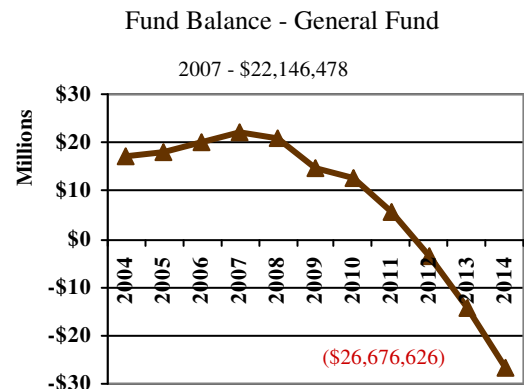
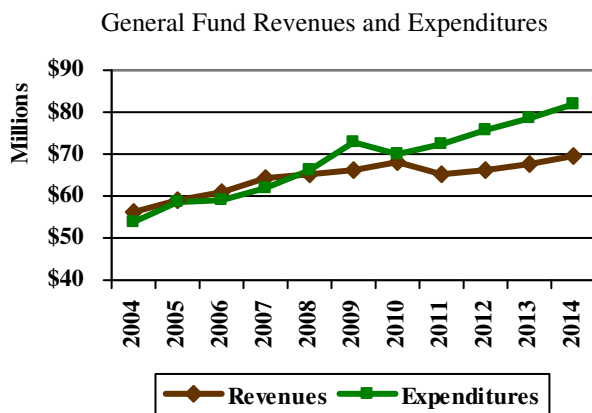
**Scenario 1: State Revenue Sharing is not Reinstated; Taxes are Levied at the Maximum**



**Scenario 2: Revenue Sharing is Reinstated; Tax Levy increases to 3.7 mills in 2010 and Beyond**



Scenario 3: Revenue Sharing is Not Reinstated; Tax Levy increases to 3.7 mills in 2010 and Beyond



The current projections indicate a significantly wider gap between operational revenues and operational expenditures. The third scenario reflects the projected outcome if programming and spending remain the same. The reasons for the deterioration follow.

**Revenues**

**Tax Base:** Proposal A limits increases in the taxable value of property to the lower of the consumer price index or 5%. This lowered the value on which the County calculates its tax revenue by approximately \$2.1 billion which equates to over \$7.5 million in County operating taxes. Even though home prices are declining, for the majority of home owners they are not yet lower than the taxable value, so the County is seeing increases in the taxable value of property even though the assessed value may be decreasing. However, if home prices continue to fall, the gap between the taxable value and the assessed value will be closed. At that point, the taxable value may remain flat or even decrease.

Concerns that the housing market will not improve in the near future prompted a more thorough evaluation of the tax base. The Revenue Sources section of this document details the process that was developed. The results of the evaluation are as follows:

Year	Projected % Change in Assessed Value (existing property)*			
	Agricultural	Commercial	Industrial	Residential
2010	4.4%	1.4%	.4%	.7%
2011	2.5%	1.3%	.3%	1.1%
2012	2.2%	1.2%	.2%	0.9%
2013	2.2%	1.1%	.2%	0.9%
2014	2.2%	1.0%	(.1%)	1.4%

\* Figures do not reflect new construction.

Unlike the east side of the State, Ottawa County is still projecting increases, albeit much smaller, in its total taxable value. However, these increases do not appear to be able to accommodate the projected increases in expenditures.

Recently, the economic downturn has sparked new legislation at the State level to provide property tax relief to citizens. The Michigan House of Representatives passed House Joint Resolution III (HJR III) in early October which would hold property tax assessments flat in any year where the property value dropped. The bill has not been forwarded to the Michigan Senate as of October 28, 2008. The early estimate for the impact of the legislation is that it would reduce Ottawa County tax revenue by approximately \$500,000.

**Revenue Sharing:** In addition, the County has renewed concerns about the reinstatement of State Revenue Sharing. In October of 2004, the State of Michigan suspended State Revenue Sharing payments to counties. To assist counties in preventing the loss of key services, the county property tax levy was gradually moved up from December to July over three years. Beginning with the December 2004 tax collection, one-third of the levy was placed into the Revenue Sharing Reserve Fund (RSRF) that the County manages and withdraws an amount equal to what we would have received in 2004, plus an annual increase equal to the CPI (Consumer Price Index). In 2007, the County completed the move of its levy to July, and there will be no more contributions to the fund other than interest. When the County has depleted the Revenue Sharing Reserve fund, the State is statutorily required to reinstate the revenue sharing payments.

Though there have been six counties whose revenue sharing payments have been reinstated, either for a full year or partial year, those payments are not significant enough for other counties to confidently expect reinstatement of their payments. Currently, the State of Michigan has not advanced a plan to reinstate revenue sharing payments to counties upon the depletion of their Revenue Sharing Reserve funds. Ottawa County's Revenue Sharing Reserve Fund will be depleted in 2011 with only \$337,000 in funding projected for the 2011 budget. The current payments from the Revenue Sharing Reserve Fund approximate \$4.6 million, so if these funds are not reinstated, the County will have to make significant adjustments to make up this shortfall.

**Retained Earnings:** As discussed earlier, the County is contributing significant cash to the Fillmore expansion/Grand Haven building project. The lower cash balances will decrease the amount of investment earnings for the County's operating budget as discussed under investment revenue. At the same time, the project is also decreasing the County's equity. The chart below shows the projected changes in the County's equity:

Fund Type	Total	Total	Total
	Equity	Projected	Projected
	2007	2008	2009
General Fund	\$ 22,146,478	\$ 21,000,668	\$ 14,512,156
Special Revenue Funds	58,686,988	40,759,103	35,119,498
Delinquent Tax Revolving Fund	24,406,620	24,242,273	24,147,522
Internal Service Funds	33,348,990	30,825,980	31,542,830
Total Equity	<u>\$ 138,589,076</u>	<u>\$ 116,828,024</u>	<u>\$ 105,322,006</u>

Not all of the decrease in equity is due to the building project. In particular, the Revenue Sharing Reserve fund (discussed earlier) is responsible for \$4.5 million of the decrease in the Special Revenue Funds. These are significant decreases in equity and can affect the County's flexibility. However, in the case of certain funds, balances were allowed to increase specifically to provide funds for building projects. Consequently, the County still has considerable equity in relation to expenditures. The table that follows illustrates this point:

	2009 Budgeted Expenditures	Less 2009 Transfers to Building Project	Estimated Operational Expenditures	Estimated Equity	Equity as a % of Expenditures
General Fund	\$ 72,671,443	\$ (5,585,000)	\$ 67,086,443	\$ 14,512,156	21.6%
Special Revenue Funds	79,511,235	(415,000)	79,096,235	35,119,498	44.4%
Delinquent Tax Revolving Fund *	2,804,664	-	2,804,664	24,147,522	861.0%
Internal Services Funds	20,525,203	-	20,525,203	31,542,830	153.7%
	<u>\$ 175,512,545</u>	<u>\$ (6,000,000)</u>	<u>\$ 169,512,545</u>	<u>\$ 105,322,006</u>	<u>62.1%</u>

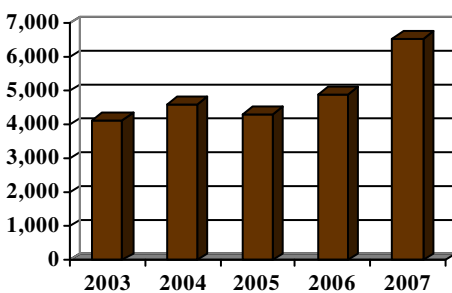
\* It is important to note that the fund balance in the Delinquent Tax Revolving fund is significantly more than the cash balance since the fund has a large receivable (\$7.8 million at 12/31/07).

Financial entities should ideally have sufficient fund balance to cover 10-15 percent of expenditures. The County continues to exceed this standard. Although a significant portion of the equity is not available for operations or is designated in some way, the County still retains an excellent financial position.

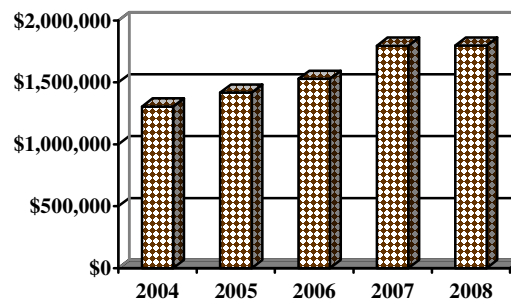
## Expenditures

**General Economic Concerns:** For a few years now, Ottawa County has felt the recession in the State of Michigan. However, there are clear indications that the economy for the nation as a whole is troubled. Government services are generally in greater demand during difficult economic times. As people lose their jobs and insurance, they are more likely to come to the Health Department and Community Mental Health for services. Service demands in the Sheriff's office also tend to increase with economic downturn. As people lose their jobs, they default on loans, rent and other obligations, increasing civil claims in the District Court. Defendants in criminal cases in the District and Civil Courts are more likely to request attorney representation which the County is obligated to provide for free if defendants meet eligibility requirements.

District Court General Civil Cases



Indigent Legal Costs



**Other Post Employment Benefits (OPEB):** Another concern the County is addressing is Other Post Employment Benefits (OPEB). Beginning in 2008, the Governmental Accounting Standards Board will require the County to report the portion of OPEB that has not been funded on the financial statements. For Ottawa County, the majority of the estimated actuarial OPEB liability is the result of the implicit subsidy the County provides by allowing retirees to buy health insurance at the weighted average rate. In addition, the County also provides a credit on health insurance premiums based on years of service. The preliminary actuary report estimated the *net* annual costs to fund the liability at approximately \$2 million per year. This cost was unacceptable to the Board of Commissioners. As a result, in September of 2007, the board took three separate actions to reduce the County's liability:

- Elimination of the implicit rate subsidy for health insurance for all current and future retirees at age 65 as of January 1, 2008
- Elimination of the implicit rate subsidy for health insurance for future retirees with a hire date on or after January 1, 2008
- Elimination of the monthly credit for each year of employment for health insurance premiums for unclassified employees hired on or after January 1, 2008

These three actions had a major impact on the County's OPEB costs. Specifically, the annual required contribution was reduced from over \$2 million to \$920,000 for 2008. Additional options are under review at this time. The Board is funding the full annual required contribution in 2008 and 2009. The 2009 required contribution is \$913,000 and is included in the budget.

**Pending Legislation Affecting the Child Care Fund:** During 2008, a settlement was reached between the State of Michigan and Children's Rights, Inc., an advocacy group based in New York, regarding the death of five children placed in Michigan foster care homes. The terms of the settlement include that all foster home placements must occur in licensed homes. In general, in Ottawa County, youth placed with family are typically in unlicensed homes and youth in non-family placements are in licensed homes. This arrangement has been the result of a State focus on keeping youth in the homes of relatives as much as possible so the change to require all placements to occur in licensed homes is a shift of policy at the State level as a result of the settlement of the lawsuit. Early estimates place the cost to the County at \$500,000 annually.

A second requirement of the settlement usurps local control. The bottom line of this change is a transfer of Child Care Fund responsibilities currently managed by the Court and County to a new Child Welfare Director who would not be responsible to the Court, County or even the local Department of Human Services Board, but to State officials. This is a significant reduction in local control. Though this provision currently applies to only to Michigan's five largest counties, if deemed successful, it very likely will apply to other Michigan counties. The County is analyzing this as a potential Headlee Act violation and will be in contact with other counties and Michigan Association of Counties on this issue.

**Revised Five Year Deficit Reduction Plan:** Currently, Administration is developing a new five year deficit reduction plan to address the current projections. Specific strategies include:

- Continue a General Fund hiring freeze for new, full-time positions that have a net increase for the General Fund. Consideration will be given for positions that have an impact on service delivery
- Maintain five year projections with variables such as revenue sharing, commodity costs, millage rates, and funding sources to strategically determine the most fiscally responsible plan for millage increases and expenditure reductions
- Continue program evaluations to determine the costs and benefits provided by programs as a basis for the possible elimination or restructuring of programs that are not performing effectively and efficiently
- Review the potential elimination of the MERS defined benefit retirement system for new hires and replace it with a defined contribution benefit
- Annual review of health insurance plan for appropriate changes and the implementation of a health management plan
- Review and analysis of other fringe benefit costs
- Departmental efficiency studies to reduce costs
- Secure funding for technological advances that will create efficiencies and reduce future costs
- Comprehensive analysis of services provided by the County's departments and outside agencies to eliminate redundancy of services provided
- Performance measurements and ranking of mandated and discretionary services will be used in the analysis of programs for possible budgetary reductions
- Implementation of the Budget Principals approved by the Board of Commissioners to guide budget decisions

### **Financing Tools that Help Address Concerns:**

In addition, as budgeting becomes increasingly difficult, it is important to have alternate funding sources available. Long-term financial planning is addressed extensively in the County's Strategic Plan. The County Board adopted fiscal policies and procedures which specifically address the County's long-term financial needs through various Financing Tools which partially provide alternative funding sources. Funding provided by the Financing Tools for the 2009 Budget is as follows:

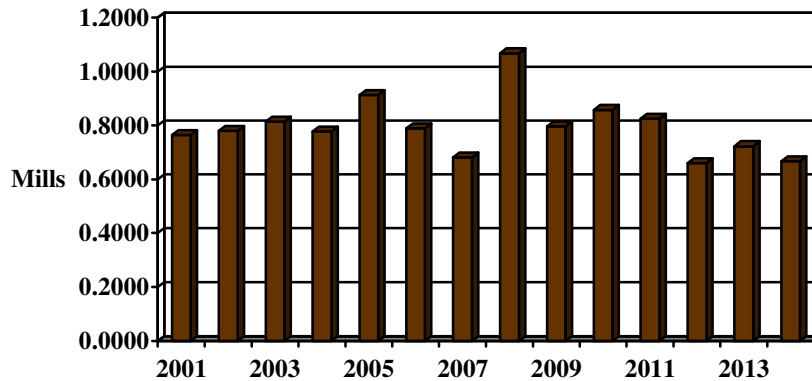
- Solid Waste Clean-up Fund (2271) is continuing to pay the clean-up costs on the Southwest Ottawa Landfill (\$198,000). In addition, the State of Michigan approved the County's plan to recap the landfill and upgrade the groundwater purging system. The 2009 Budget includes \$100,000 to complete the groundwater purging system upgrade that began in 2005. The

balance of the funds for the landfill capping has been reimbursed from the Ottawa County, Michigan Insurance Authority.

- Infrastructure Fund (2444) is estimated to have approximately \$300,000 in cash available for projects requested by municipalities at the start of 2009. In 2004, the fund made loans to Allendale Township to construct municipal utilities for a new development. The Board also approved giving the Road Commission \$600,000 toward the construction of a new bridge for River Avenue in the City of Holland. In 2005, the fund loaned Tallmadge Township \$950,000 for an infrastructure project. In 2006, the fund loaned the City of Coopersville \$500,000. An additional \$371,000 is planned to be distributed in 2008 or 2009 for infrastructure improvements in Jamestown Township. Beginning in 2008, the fund is also contributing \$125,000 per year toward the Fillmore expansion/Grand Haven building project for debt service payments. These payments will continue for 20 years.
- Public Improvement Fund (2450) includes \$300,000 available for any building construction/renovation projects that may be identified in 2009. In addition, the 2009 budget includes a portion of the estimated debt service payments for the bonds issued in 2007 for the Fillmore/Grand Haven project. Specifically, the fund is contributing approximately \$188,000 per year towards the debt service payments of the next 20 years. In addition, in 2009, the fund will also contribute approximately \$415,000 towards the construction costs of the Fillmore/Grand Haven project. The use of this cash effectively allows us to borrow less, reducing annual debt service payments.
- Stabilization Fund (2570) is providing the General Fund with \$214,000 in interest earnings. In addition, the fund provides additional flexibility to deal with unexpected occurrences that have the potential to negatively impact finances.
- Delinquent Tax Revolving Fund (5160) is funding bond payments of \$2.6 million on four bond issues. Beginning in 2009, the fund is also contributing \$150,000 per year towards the debt service payments of the next 20 years for the Fillmore/Grand Haven project bond issue.
- Duplicating (6450), Telecommunications (6550), and Equipment Pool Funds (6641) provide equipment replacement and enhancement funding. The total amount of equipment requested from these funds in 2009 is just under \$810,000. Telecommunications is also contributing approximately \$150,000 per year for debt service requirements on the Fillmore/Grand Haven project.

The Financing Tools play a major role in reducing our tax levy. The amount for 2009 equates to 0.7963 mills. The graph that follows shows the benefits, in lieu of millage, that the financing tools provide:

## Summary of Financing Tools Benefits Equated to Mills

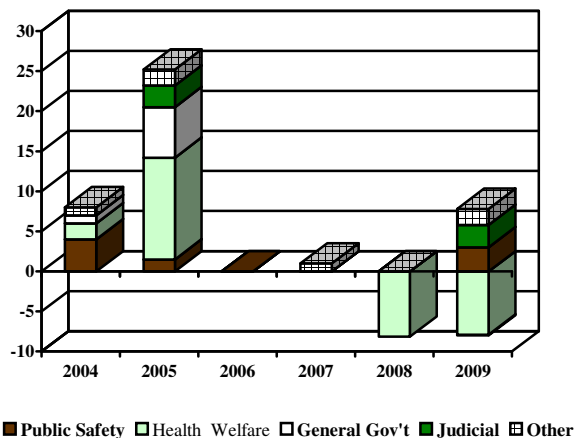


### PROGRAMMATIC ISSUES

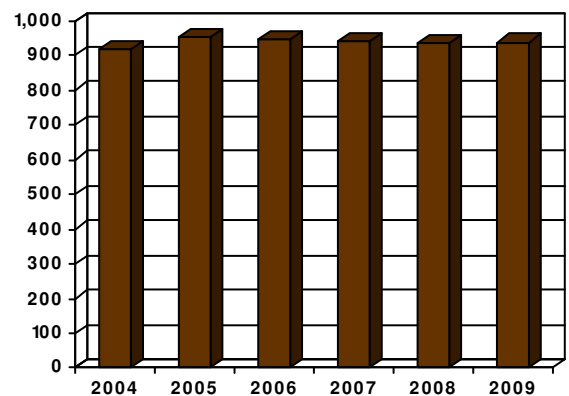
**Staffing Needs:** Every year, the budget process produces requests for additional employees from departments. Since Ottawa County is one of the fastest growing counties in the State of Michigan (with a population growth of nearly 30,000 during the past 10 years), additional service demands have been recognized. Due to the budgetary concerns of recent years, the County imposed a General Fund hiring freeze for the 2006, 2007, and 2008 budgets. The hiring freeze affected requests for new permanent, full-time positions that would represent a net increase in General Fund expenditures unless the position is required for a new facility or to meet critical citizen service needs. Due to increased service demands and community policing contractual requirements, the County is adding 6.3 full time equivalents in 2009. However, the reductions made in other departments essentially keep the total number of full time equivalents steady.

In addition, some positions are approved during the year as the need arises, especially grant positions which are sunset at the end of the grant. The graphs that follow show the increase in total full time equivalents in the County for 2004 - 2009 added through the budget process and the total number of full time equivalents for 2004 - 2009:

**Positions Added by Function 2004-2009**



**Ottawa County Full Time Equivalents**





The 2009 budget process resulted in a slight increase of .8 full time equivalents over all, but positions funded by the General Fund decreased by 1.2 full time equivalents. Positions totaling 8.3 full time equivalents were added with the budget process, but 5.9 full time equivalents were eliminated from the Health Department, and funding for one other Health full time equivalent has been suspended. In addition, a case worker in the Parenting Plus program has been eliminated based on program needs, and a .6 full time equivalent has been eliminated from Michigan State Cooperative Extension due to grant reductions.

**Equipment/Technology Needs:** Although the County has been conservative with personnel additions, it has taken steps to help departments complete their work more efficiently. In many cases, the County, through the implementation and use of technology, has delayed or eliminated the hiring of additional staff. There are four major technology initiatives underway that will improve efficiency and/or enhance service.

First, the Court Imaging system was initiated in 2005, and as implementation continues, additional efficiencies are noted. Electronic Content Management (ECM) has automated document processing in 11 Justice Departments. Future plans include receipting electronic documents, and expanding ECM into other departments. A total of \$155,000 is included in the 2009 budget for ECM support and training. Benefits realized include:

1. Faster document processing.
2. Faster file retrieval and file sharing.
3. Reduced postage cost.
4. Detailed audit trails on all document usage.
5. Increased accuracy.

The new system also replaced a legacy system in Community Mental Health. Plans have been developed for Environmental Health and Human Resources.

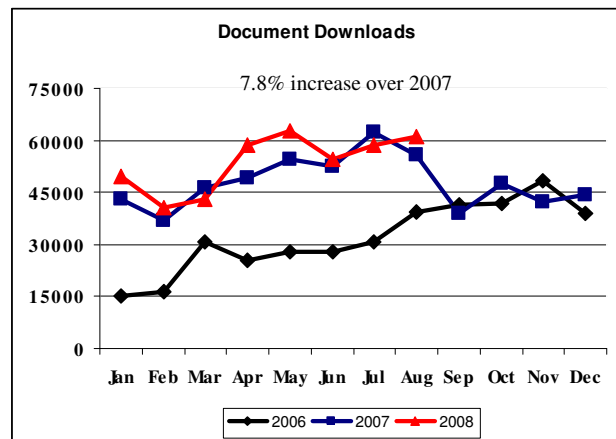
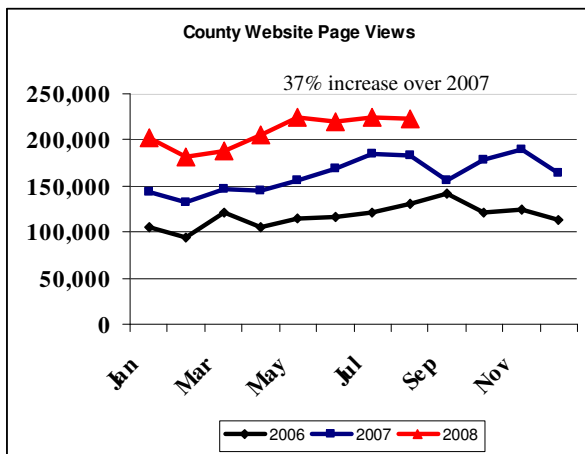
Second, the 2009 budget includes \$370,000 for new software in the Register of Deeds office funded from the recording fees that the State has designated for use in Register of Deeds Technology. The current software has provided a fully integrated document management system, electronic recording and internet services. In contracting for the next Land Management Document system, the County hopes to maintain the same efficiencies currently developed, or, in some instances, improve the current technology.

The third technology initiative involves the CourtStream initiative for the Juvenile Division of the Family Court which began in 2005. The County has spent over \$1 million to develop and implement the project. Specifically, the CourtStream efforts included programming enhancements to the existing Case Management System, design of the Detention application, design of the integration component between CourtStream and the County Justice System, documentation of business specifications for a Court Scheduling System and documentation of business specifications for a Collections System. The integration application eliminated dual entry which had been required to maintain the two independent systems: CourtStream and County Justice.

The Case Management Enhancements have automated previously manual processes and added external agencies allowing them to look up relevant information and reducing the time required by County Juvenile Services staff to respond to information requests. The Detention application has automated previously manual workflows and through the analysis process has reduced the number of forms used to only those requiring signature (approximately a 70% reduction in paper forms). The Detention application (Pre-Intake portion) was implemented in late 2007 along with Integration and the remaining Case Management Enhancements.

The County pays an annual hosting fee of \$36,720 which is included in the 2009 budget. Additional enhancements to the existing applications and the development of new modules are proposed, including a collections module. Additional Counties are now using the Juvenile Detention module. It is felt that further investment in the Juvenile Case Management System will increase participation and cost sharing by other Counties. The County is waiting to see what royalty income it will receive from the detention modules sold as means to fund additional enhancements. Other funding options are also under consideration.

The fourth major technology initiative underway is miottawa.org, the County’s integrated web service delivery system. The County continues to expand the number of services available online. By making services available via the internet, the County is realizing economic benefits by reducing demand on customer service staff. Further, the County will provide additional enhanced service while reducing the cost to the public by making these services available at their home or place of business. The graphs that follow show the increases in the use of the County webpage.

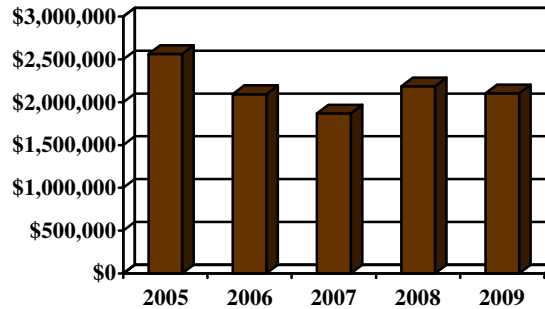


More services are planned for the website; anticipated features to be added over the next 12 months include:

- Juvenile Court Payments
- Dog License Update
- Delinquent Tax Payment
- Parks Water Conditions Reporting
- Marriage & Death Record Order/Genealogy
- Weekly School Disease Reporting
- Park Reservation Update
- Deeds Search
- Jail Bed & Board Payments
- Business Name Search

In addition to the initiatives above, the 2009 Budget includes approximately \$2.1 million for other equipment and technology needs. The following graph shows the dollar amount of equipment added each year from 2005 to 2009 during the budget process:

**History of Approved Equipment**



## **BOARD GOALS**

Goals and objectives were identified by the Board of Commissioners in a strategic/business plan adopted in March, 2006 and updated in January, 2008. Many different programs and areas are included. The section that follows discusses goals and objectives that are specifically addressed in the 2007, 2008 or 2009 Budget.

### **Financial Stability:**

Goal: *1) Maintain and Improve the Strong Financial Position of the County*

Objective: Continue to advocate that the State of Michigan remain committed to continuing county revenue sharing

Objective: Identify and develop strategies to deal with potential financial threats

Objective: Identify and develop a plan for funding legacy costs

Objective: Establish a clear understanding of mental health funding and structure

Objective: Work at the State and Federal levels to address unfunded and under-funded mandates

Objective: Implement consistent wage and classification study process

Objective: Maintain or improve bond ratings

*Budget Ramifications:* The 2009 budget includes \$44,000 for a lobbyist to represent the County on legislative matters. Although the 2009 Budget reflects an undesignated fund balance use of \$1,000,000, the County does not anticipate an *actual* fund balance use based on past expenditures patterns. The 2009 Budget fund balance use figure is in line with the fund balance use originally adopted in 2007 and 2008. In addition, the 2006 hiring freeze was extended into 2007 and 2008 for positions affecting the General Fund. Although a few positions were approved for 2009, budget reductions to other departments resulted in a net reduction in full time equivalents. Administration is currently refining additional components to the five year deficit reduction plan.

Also, during 2007, the County Board approved changes to retiree health care benefits (discussed previously). These changes significantly reduced the County's liability for OPEB.

The 2009 budget includes \$913,000 to fund the annual required contribution for OPEB. The County is still considering options for changes to the retirement plan. Currently, all employees have a defined benefit plan, but, in 2008, the County is spending \$18,000 for actuary calculations on closing the defined benefit plan to new hires and changing the retirement benefit of new hires to a defined contribution plan. Following the receipt of the actuary study, a report including the pros and cons of this change will be provided to Commissioners for consideration. During 2008, the County has contracted with West Michigan Compensation to review every job classification in the County, and the 2009 budget includes \$150,000 to accommodate potential changes from the study. The other objectives have already been met or are ongoing.

### **Communication:**

Goal: *1) Maintain and enhance communication with citizens, employees, and other stakeholders*

Objective: Inform and mobilize the public around the potential impacts of the loss of State revenue sharing

Objective: Consider and implement new methods of communicating with the public

Objective: Continue and improve departmental annual report process to better identify goals, issues, future plans and performance measures

Objective: Identify and implement methods of communication with employee groups

Objective: Identify and appoint the best applicants to boards and commissions

Objective: Strengthen role in state and national professional organizations

*Budget Ramifications:* One of the scenarios included in the five year General Fund projections is that revenue sharing would not be reinstated. This was done to raise awareness to the financial ramifications should this occur. During 2008, a new citizen survey (\$20,000) was conducted to rate the success of efforts to address several communication objectives, and the results of the study have just been obtained and are under analysis. In addition, the 2009 Budget includes \$243,000 for miottawa.org maintenance and development of new services discussed previously under "Technology." The 2009 Budget also includes \$8,000 for an annual report to the citizens.

With the 2009 budget process, staff in the Administrator's office reviewed department goals, objectives and performance measures for continued refinement. In an effort to obtain the best applicants for County boards and commissions, a database has been initiated to manage the appointment process. Human Resources has included in its training initiatives seminars conducted by Human Resources staff to educate employees about their benefits.

Last, several staff and Commissioners hold leadership roles on state and national professional association boards and committees. Some of these associations follow:

Employee/Official	Position	Agency	Agency Position
Alan Vanderberg	County Administrator	MI Local Government Management Association	Vice-President
Alan Vanderberg	County Administrator	MI Association of County Administrative Officers	Treasurer
Donald Disselkoen	Commissioner	MI Department of Transportation Asset Management Council	Council Member
Joyce Kortman	Commissioner	MI Association of Counties, Health Committee	Committee Member
Joyce Kortman	Commissioner	National Association of Counties, Rural Action Caucus Steering Committee	Committee Member
Joyce Kortman	Commissioner	MI Association of Mental Health Boards, Policy Committee	Committee Member
Joyce Kortman	Commissioner	MI Association of Public Health Boards, Executive Board	Committee Member
Kevin Bowling	Circuit Court Administrator	National Association for Court Management	Secretary/Treasurer
Michael Galligan	Equalization Director	MI Association of Equalization Directors	Secretary
Ronald Frantz	Prosecutor	Prosecuting Attorneys Association of MI	Past-President

**Quality of Life:**

Goal: 1) *Contribute to a healthy physical, economic, and community environment*

- Objective: Investigate opportunities to impact the negative consequences of development
- Objective: Consider opportunities to establish a county-wide land use and economic development planning organization
- Objective: Examine water quality policies and develop a research-based, water quality action plan
- Objective: Assist in the completion of a groundwater resources inventory
- Objective: Discuss and act upon road policy issues as appropriate
- Objective: Provide quality County facilities throughout the County

*Budget Ramifications:* Significant progress has been made on land use planning issues. On April 22, 2008, the County Board adopted a purchase of developments rights ordinance aimed at protecting farm land from development. The 2009 Planning Commission budget (Fund 2420) includes \$42,500 for the completion of the urban growth study for the County. In addition, the 2009 Planning Commission budget includes \$12,500 for collaborative efforts with municipalities to conduct transportation studies. The Transportation fund reflects an anticipated \$158,000 grant to provide transportation to eligible County residents. In August of 2008, the Board authorized the Road Commission’s (component unit) millage request of .5 mills to be included on the November ballot. If passed, approximately \$4.94 million will be raised to improve roads in the County.

The Planning Commission budget also includes \$25,000 for economic development attraction. The Planner/Grants budget in the General Fund (1010-7211) also includes over \$51,000 for the County's economic development consultant. In addition, because of the rapid growth in the County, concern over green space and waterway access has become increasingly important. The 2009 Parks and Recreation budget includes a .3165 mill levy for park development, expansion and maintenance. This levy was renewed by the citizens in August of 2008 and authorizes the levy for ten years. The 2009 Parks and Recreation budget includes a total of \$1.4 million for land acquisition and capital improvements to existing properties.

During 2008, the Fillmore Complex addition and the construction of the Grand Haven facility have advanced, with the Fillmore Complex addition nearing completion. The 2009 budget for the Building Authority Capital Projects fund reflects the remaining \$6 million to be spent on the Grand Haven project. Both projects remain on schedule and within budget. The corresponding debt service fund also reflects the associated debt service payments of \$760,000 per year associated with the projects.

### **Administration:**

Goals: 1) *Continually improve the County's organization and services*

Objective: Review and evaluate the organization, contracts, programs and services for potential efficiencies

Objective: Examine opportunities for offering services to local units of government

Objective: Prioritize mandated and discretionary services

Objective: Continue implementation of performance measurement system

Objective: Establish better employee-management communications

Objective: Ensure the security and recoverability of paper and electronic records

Objective: Evaluate substance abuse funding, services structure, and community needs

Objective: Complete labor negotiations with applicable employee groups

*Budget Ramifications:* The 2008 budget reflects the accumulated cost benefits of efficiency studies performed on the following departments: Equalization and Property Description and Mapping, Fiscal Services and Administrative Services, Parenting Plus, and Veteran's Affairs. The 2009 Human Resources budget (1010-2260) includes \$60,000 for management studies of County departments to identify opportunities for improvements in service delivery and efficiency.

The Planning Commission budget (Fund 2420) includes \$1,900 to provide basic training seminars for the local units. The County recently approved a partnering agreement with Park Township to provide imaging services. The 2009 budget includes \$11,000 in revenue from Park Township for their estimated share of expenses. The County is also in discussion with municipalities within the County to provide website capabilities for their unit within [miottawa.org](http://miottawa.org), the County's website.

During 2008, the County Board completed two additional rankings of discretionary services (the first ranking was completed in 2007). Existing staff resources are currently compiling information on mandatory services to identify potential areas for reduction where a

specific service *level* is not mandated. The County anticipates the Board will complete a combined ranking of mandatory and discretionary services in early 2009.

In addition, the 2009 budget includes the continuation of outcome based performance measures and program evaluations. The analysis of the drug court operation is nearing completion; the draft is being reviewed and commented on by Court staff. The 2009 budget also includes \$50,500 for various new employee training programs above those currently provided by Information Technology. Contract negotiations are currently underway with the County's bargaining units.

## **BUDGET SUMMARY**

The 2009 Budget reflects the on-going implementation and refinement of the action plans addressed in the Ottawa County Strategic Plan. Many of the fluctuations between the 2008 and 2009 Budgets are the result of the concerns previously discussed. Financial highlights and fluctuations of the 2009 Budget as compared to 2008 follow.

### **Comparison of Revenues for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Permanent Fund - Primary Government**

<u>Source</u>	2008 Amended Budget	2008 Percent of Total	2009 Proposed Budget	2009 Percent of Total	Percent Increase (Decrease)
Taxes	\$ 43,903,385	24.0%	\$ 44,631,425	27.6%	1.7%
Intergovernmental Revenue	59,695,801	32.6%	56,141,656	34.7%	-6.0%
Charges for Services	13,440,317	7.3%	12,742,814	7.9%	-5.2%
Fines and Forfeits	1,062,600	0.6%	967,600	0.6%	-8.9%
Interest on Investments	3,243,790	1.8%	1,551,522	1.0%	-52.2%
Rental Income	6,684,879	3.7%	6,542,296	4.0%	-2.1%
Licenses and Permits	768,865	0.4%	693,565	0.4%	-9.8%
Other Revenue	2,280,888	1.2%	1,469,307	0.9%	-35.6%
Operating Transfers In	27,703,080	15.1%	24,858,685	15.4%	-10.3%
Fund Balance					
Use/(Contribution)	24,339,930	13.3%	12,127,955	7.5%	-50.2%
<b>Total Revenues</b>	<b>\$ 183,123,535</b>	<b>100.0%</b>	<b>\$ 161,726,825</b>	<b>100.0%</b>	<b>-11.7%</b>

Taxes serve as the primary revenue source for the General Fund, E-911, and Parks and Recreation Fund. The 2009 tax revenue budget includes levies for the following purposes:

	<u>Millage for 2008 Budget</u>	<u>Millage for 2009 Budget</u>	<u>Difference</u>
General Operations	3.6000	3.6000	.0000
E-911	.4407	.4407	.0000
Parks and Recreation	<u>.3165</u>	<u>.3165</u>	<u>.0000</u>
	4.3572	4.3572	.0000

The millage rollback fraction was 1.0 for 2008, so the levy for E-911 and Parks is staying the same. As discussed earlier, the County is choosing to levy 3.6 mills rather than its maximum

allowable. Consequently, the increase in revenue is due completely to the increase in taxable value. It should be noted that the 2008 budget has not yet been adjusted for the lower than anticipated taxable value.

Intergovernmental Revenue represents 34.7 percent of the Governmental funds revenue budget and is decreasing. Major fluctuations by fund follow.

Parks and Recreation	(\$1,992,000)
Mental Health	(198,000)
Sheriff Grant Programs	(188,688)
Workforce Investment Act (WIA) Funds/ Community Action Agency/Weatherization	(1,031,000)

Intergovernmental Revenue in Parks and Recreation (2081) fund is decreasing because the 2008 budget includes a \$2 million Michigan Natural Resources Trust Fund grant for the Olive Shores property. The decrease in Mental Health intergovernmental revenue is less than one percent and primarily reflects the decrease in funding from the State. The decrease in intergovernmental revenue in the Sheriff Grant programs reflects the end of funding for Homeland Security.

Workforce Investment Act (WIA) as well as the Community Action Agency (2870) and Weatherization (2890) programs reflect a decrease because funding is uncertain. Continuing with the County's budgeting philosophy, nothing is budgeted in these funds until grant notification from the State is received. In addition, the 2008 figures may include grant carry forward revenue from prior years which are not budgeted in 2009 as the County does not have approval for those carry forward revenues at this time.

Charges for Services revenue, at just 7.9 percent of total revenue, is decreasing 5.2 percent. Charges to departments for indirect administrative costs are decreasing \$424,000. The revenues from this line can vary from year to year depending on changes in the allocation by department and the total costs to be allocated. The 2008 amounts were higher primarily in the Courts because they reflected corrections associated with new, larger buildings and the allocation of Court administration charges which were later found to be ineligible. The 2009 charges are lower because the allocations for the buildings no longer had corrections and because Court administration charges have been reversed. Charges for Services in the Register of Deeds office are projected lower in 2009 due to declines in the housing market which translates into less activity. The remainder of the increase is spread across several departments.

Fines and Forfeits revenue is decreasing 8.9 percent, primarily in the District Court. The higher gas prices have resulted in people driving less and at slower speeds.

Interest on Investments reflects a decrease of \$1.7 million or 52.2 percent. The main reason for the decrease is the lower cash balances of the County. During 2008 and finishing in 2009, the County will contribute \$20 million to the building projects underway. In addition, return rates are on a downward trend.

Rent Income is decreasing slightly. For the last 20 years, a building amortization charge has been charged for the Holland Health Facility based on actual costs. Although the Health



fund will still be charged for variable costs, the fixed costs based on the building amortization have been discontinued. The amortization portion had been deposited in the Public Improvement fund. In addition, rent charges for the Coopersville facility are also being eliminated.

Licenses and Permits revenue is decreasing primarily in the Health fund because new construction is down, lowering collections on water and sewer permit fees.

Other Revenue is decreasing primarily in the Parks and Recreation department. 2008 included a budget of \$580,000 in donations for the Nature Center fund raising project. In addition, other revenue in the Health fund is decreasing \$107,000 due to decreases in donations for the dental program and the reduction of various foundation grants.

Operating Transfers In is decreasing mainly due to the building project. Specifically, \$11.9 million was budgeted for transfers from other funds to the Building Authority Capital Projects fund during 2008, but the project will require only \$6 million in 2009. However, there are additional fluctuations in other funds. The transfer to the Health fund was decreased by \$422,000, the Parks department transfer was decreased by over \$230,000 and the transfer in to the General Fund from the Compensated Absences fund was established at \$500,000 to help balance the 2009 budget.

Fund Balance usage varies mostly as a result of capital projects. In the Building Authority Capital Projects fund, the County anticipates using \$7.8 million of fund balance in 2008 (the unused portion of bond proceeds issued in 2007), and only the amount needed from other funds will be transferred in 2009 for the Fillmore Street expansion/Grand Haven project. Fund balance use in other funds is also fluctuating due to construction. The table that follows shows the fund balance use by fund for 2008 and 2009 related to the Fillmore Street/Grand Haven building project:

Fund	Fund Name	Fund Balance Use for Construction 2008	Fund Balance Use for Construction 2009	Difference
1010	General Fund		\$5,585,000	\$5,585,000
2271	Solid Waste Clean-up	2,500,000		(2,500,000)
2450	Public Improvement		415,000	415,000
2210	Health	1,300,000		(1,300,000)
2900	Department of Human Services	500,000		(500,000)
2920	Circuit Court-Child Care	500,000		(500,000)
6550	Telecommunications	2,600,000		(2,600,000)
6641	Equipment Pool	1,500,000		(1,500,000)
5695	OCBA - Capital Projects	7,857,971		<u>(\$7,857,971)</u>
	Total			<u><u>(\$10,757,971)</u></u>

The portion of fund balance use for the Fillmore Street expansion/Grand Haven project in the General Fund is coming from *designated* fund balance.

In addition to the Fillmore Street expansion/Grand Haven project, the Parks and Recreation fund is using \$2.6 million in fund balance in 2008, but increasing fund balance by \$382,000 in 2009. The amounts vary depending on the land acquisition and capital improvement projects in County parks. Most of the 2008 fund balance use is in connection with the Olive Shores property acquisition. The Solid Waste Clean-up fund budgeted to use nearly \$1.3 million in fund balance in 2008 in connection with the well and purge system of the landfill.

Although fund balance use in 2009 from capital construction is lower, there are some increases in fund balance use for other reasons. The Register of Deeds Technology fund (2560) is budgeted to use \$307,000 of fund balance in connection with new software costing \$370,000. Fund balance use in the Revenue Sharing Reserve fund (2855) is increasing (as anticipated) due to increases in the amount transferred to the General Fund which is based on State Guidelines and lower interest revenue due to falling cash balances. Fund balance in the Compensated Absences fund is decreasing with the one time transfer to the General Fund for operations as the County refines the ranking of mandated and discretionary services.

**In the General Fund, the County does not anticipate having to use \$1 million of undesignated fund balance budgeted in 2009. It is important to note that the undesignated fund balance will be maintained at the level indicated by County's financial policies (10% - 15% of the actual expenditures of the most recently completed audit).**

**Comparison of Expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Fund - Primary Government**

Use	2008 Amended Budget	2008 Percent of Total	2009 Proposed Budget	2009 Percent of Total	Percent Increase (Decrease)
Legislative	\$605,667	0.3%	\$574,569	0.4%	-5.1%
Judicial	14,969,758	8.2%	14,839,552	9.2%	-0.9%
General Government	17,894,362	9.8%	18,339,993	11.3%	2.5%
Public Safety	28,615,790	15.6%	29,087,125	18.0%	1.6%
Public Works	2,449,326	1.3%	1,032,271	0.6%	-57.9%
Health & Welfare	60,740,070	33.2%	58,568,479	36.1%	-3.6%
Culture & Recreation	9,631,559	5.3%	3,674,731	2.3%	-61.8%
Community & Economic Development	789,251	0.4%	768,762	0.5%	-2.6%
Other	747,414	0.4%	895,286	0.6%	19.8%
Capital Projects	16,841,971	9.2%	6,000,000	3.7%	-64.4%
Debt Service	3,500,923	1.9%	3,544,147	2.2%	1.2%
Operating Transfers Out	26,337,444	14.4%	24,401,910	15.1%	-7.3%
<b>Total Expenditures</b>	<b>\$183,123,535</b>	<b>100.0%</b>	<b>\$161,726,825</b>	<b>100.0%</b>	<b>-11.7%</b>

Legislative expenditures are decreasing to reflect the Board's commitment to reduce costs during challenging budget times. Specifically, memberships and dues and travel budgets were reduced at the Board's request.

Judicial expenditures are decreasing 1.1 percent, however the totals are misleading. During 2008, the County served as a pass through agent for the Safe Havens grant which provides assistance to victims of domestic assault. In addition, Indirect cost expenditures in the Courts decreased significantly (\$280,000) as discussed under Charges for Services revenue. Once these two anomalies are factored out, judicial expenditures are increasing by 3.6%. Staff was added in District Court, and indigent legal costs are increasing due to the economic climate.

General Government expenditures are primarily accounted for in the General Fund, and are increasing 2.5 percent. The increase is small because 2008 is an election year; 2008 elections expenditures are budgeted \$242,000 higher than 2009. In addition, the 2008 budget includes \$125,000 for an aerial flyover of the County for County maps. If these two items are factored out, the increase in General Government expenditures is 4.5%.

As discussed under facility costs, the County's cost will be increasing due to the expanded Fillmore facility and the new, larger Grand Haven facility. Only a small portion of these increased costs are being realized in 2008. As a result, the budget for facilities and maintenance is increasing by \$173,000 for the expansion and other increases. 2009 expenditures in the Register of Deeds Technology fund include \$370,000 for new software. The remaining increase in general government expenditures is spread across several departments.

Public Safety expenditures, representing 18.0 percent of total expenditures, are increasing 2.5 percent in total. Three County-funded positions have been added with the 2009 budget as required by community policing contract agreements. The 2008 budget includes some grants for which funding has not been guaranteed; these have not been included in the 2009 budget (\$211,000). The remainder of this increase is spread across several public safety functions.

Public Works expenditures are decreasing by 57.9 percent with the anticipated completion of the South West Ottawa Landfill well and purge system improvement project.

Health and Welfare expenditures, representing 36.1 percent of total expenditures, has significant variances in the Health fund and the Workforce Investment Act/Community Action Agency funds. 2009 Public Health expenditures are falling by \$610,000 and were reduced to help balance the budget (see page 10). The reduction eliminated 5.9 full time equivalents and temporarily suspended funding for one full time equivalent. The department is suspending services at the Coopersville office and is making significant reductions to the maternal and infant health program and epidemiology. As discussed previously under intergovernmental revenue, budgets for several of the Workforce Investment Act grants are lower pending grant notification. Because of this, 2009 expenditures are \$1.2 million lower.

Culture and Recreation expenditures are recorded in the Parks and Recreation Fund (2081) and will vary depending on the land acquisition and capital improvement endeavors. The 2008 capital outlay budget of \$6.6 million includes land purchases of \$4.3 million, mainly for the Olive Shores acquisition. It also includes \$1.5 million for the construction of a nature center. In contrast, the 2009 capital outlay budget is \$1.4 million and reflects several smaller park improvement projects.

Capital Projects expenditures vary depending on the scope of projects undertaken. The 2008 expenditure budget reflects the continuation of the Fillmore/Grand Haven project; the majority of the construction costs of both projects are anticipated to occur in 2008. Completion of the Grand Haven portion is anticipated in 2009.

Operating Transfers Out are decreasing by a different amount than Operating Transfers In because the some of the transfers in came from internal service funds, not the governmental funds that are discussed here. The transfers out to the Building Authority Capital Projects fund are decreasing by \$1.7 million in 2009. In addition, other decreases include the transfers to the Health fund (\$398,000) and Parks and Recreation fund (\$230,000) due to budget issues. The remaining fluctuations are across several funds.

### **CHANGES TO 2009 DEPARTMENTAL REQUESTS**

Changes to the 2009 Department budget requests were made to provide adequate funding for County services while maintaining fiscal responsibility. Not all budget requests were recommended. In keeping with the County's policy of zero-based budgeting, appropriate documentation and justification were required for new and existing budget requests.

#### **General Fund**

The 2009 General Fund budget as proposed by departments included revenues of \$70,267,579 with associated expenditures of \$75,816,231. The major adjustments to the 2009 Budget include:

#### **Revenues:**

2009 General Fund Budget Proposed by Departments	\$70,267,579
Analysis and fine tuning of tax projections	609,000
Decreased Register of Deeds projections	(148,000)
Increase SWAP revenue maintain County Subsidy	67,000
Transfer in from Compensated Absences	500,000
Use 50% of PA II dollars for operations	489,000
Other miscellaneous adjustments	(113,136)
Total General Fund Revenues Proposed by Finance and Administration Committee	<u>\$71,671,443</u>
Budgeted use of fund balance	<u>(\$1,000,000)</u>
Total Revenues and use of fund balance	<u><u>\$72,671,443</u></u>

#### **Expenditures:**

2009 General Fund Budget Proposed by Departments (not including personnel requests)	\$75,816,231
Removed Family Court software development	(454,000)

**Expenditures (continued):**

Reduced operating transfer to Friend of the Court based on revised revenue estimates	(186,000)
Reduce to reflect health insurance opt outs	(450,000)
Equipment requests not recommended	(238,000)
Reduce for anticipated vacancies	(375,000)
Reduced OPEB rate with fund balance use	(297,000)
Revised County share of drain assessments	(129,000)
Reduce rent charges for fully depreciated buildings (reflected in transfers)	(201,000)
Reductions to Public Health programs	(486,000)
Reduce Parks Operating Transfer	(230,000)
Added to contingency in anticipation of wage study implementation	150,000
Remove Financial Software first year cost	(100,000)
Add 2 FTEs to District Court	93,000
Reduce conferences and travel (GF portion)	(67,000)
Other miscellaneous adjustments	<u>(174,788)</u>
Total General Fund Expenditures Proposed by Finance and Administration Committee	<u><u>\$72,671,443</u></u>

**SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECTS AND PERMANENT FUNDS**

Expenditures in the Public Health Fund (Special Revenue Fund 2210) were decreased primarily due to the reduction in the operating transfer as part of the budget reduction plan discussed previously. In the Parks and Recreation Fund (Special Revenue Fund 2081), the operating transfer from the General fund was reduced by \$230,000 as part of the budget balancing, but expenditures were increased for two new staff and additional hours for temporary workers at the parks.

The expenditure budget in the Register of Deeds Technology fund (Special Revenue Fund 2560) was increased by \$370,000 to reflect new software expenditures. Certain Workforce Investment Act Funds were increased from the original departmental request upon notification of grant approvals. Revenue and Expenditures in the Community Corrections fund (Special Revenue fund 2850) were reduced to reflect that the State will be accounting for the residential probation program.

Expenditures in the Child Care Fund were decreased by \$610,000. The budget was reduced to reflect the removal of the software enhancement proposal and various other adjustments. Revenue was adjusted accordingly to reflect the corresponding change in State funding from the increases and various other adjustments. In the Compensated Absences fund (Special Revenue Fund 2980), a \$500,000 operating transfer to the General Fund was established as part of the budget balancing. The remaining funds had no significant changes made to their 2009 budget requests.

## CONCLUSION

Ottawa County's vision is *to be the location of choice for living, working, and recreation*. The mission states that *the County is committed to excellence and the delivery of cost-effective public services*. To accomplish the vision and mission of the County, long term strategies and financial planning have been implemented for several years.

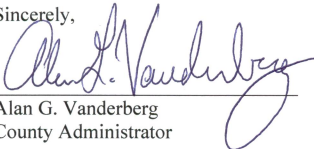
Many municipalities focus on short-term issues and concerns. Ottawa County, through its Strategic Plan and financing tools, has placed itself at the forefront by creating long-term strategies to address space needs, provide for equipment replacement, resolve insurance issues, meet human resource needs, fund statutory mandates, and improve public service and the quality of life for our citizens.

With financial forecasting and the creation of long-term financing tools, the County has positively impacted all future financial decisions and the County's financial stability. These tools permit the County to reduce taxes to County residents, improve the County's bond rating, and lower costs to departments. In 2009, the financing tools allow the County to maintain the operating tax millage well below its Headlee limit, add new equipment, and provide for new initiatives. In addition, finances continue to be carefully balanced in order to maintain or improve the outstanding bond ratings that the County currently has. The bond ratings save significant taxpayer dollars as a result of townships using the County bond ratings when constructing water and sewer systems.

In 2005, the County projected future operational deficits over the next five years and began to formulate plans to eliminate them. The operating deficit is occurring at a time when Ottawa County remains one of the fastest growing counties in Michigan and has an increasing need for vital services. The County must also keep pace with technology demands in order to improve efficiency and to deliver quality services to the public. The fiscal year 2009 Budget reflects the implementation of several of the strategies identified to address the deficit. In all, the 2009 County of Ottawa Budget emphasizes responsibility, restraint, and reinforcement of long-range County goals.

During 2006, the Board of Commissioners developed a new strategic plan that defined the current vision and goals for the County as a whole. Many of the objectives in this strategic plan have been met during 2007 and 2008 and will continue to be addressed as on-going objectives in the 2009 budget. As we look ahead to the new direction, Ottawa County's fiscal restraint and long-term planning will continue in order to maintain the County's financial strength. With this, Ottawa County will continue the tradition of providing exemplary services to the public while maintaining a stable financial position.

Sincerely,

  
\_\_\_\_\_  
Alan G. Vanderberg  
County Administrator

  
\_\_\_\_\_  
June Hagan  
Fiscal Services Director

## **DISTINGUISHED BUDGET PRESENTATION AWARD**

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Ottawa County for its annual budget for the fiscal year ended December 31, 2008. This was the thirteenth year that the County has submitted and received this prestigious award.

In order to receive this award a governmental unit must publish a budget document that meets program criteria as a policy document, as an operational guide, as a financial plan, and as a communications medium.

The award is granted for a period of one year only. We believe our current budget continues to conform to the program requirements, and we are submitting it to the GFOA to determine its eligibility for another award.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Ottawa County  
Michigan**

For the Fiscal Year Beginning

**January 1, 2008**

*Charles S. Cox*

President

*Jeffrey R. Emery*

Executive Director



2009 ORGANIZATIONAL CHART

