County Finance for the Future:
Exploring the new reality of government in the new economy and current political climate

MAC Annual Conference – September 24, 2012
Al Vanderberg, County Administrator
County of Ottawa
We look to the past for guidance in the present, to build a better future.
A Perfect Storm…..

- Declining Property Tax Revenue
- Revenue Sharing Cuts/EVIP Requirements
- Potential Personal Property Tax Cuts
- Escalating Health Insurance Expense
- Cost of Defined Benefit Pensions/Retiree Health Insurance
- Evaporated Interest Revenue
- State/Federal Revenue Cuts to Specific Programs
- Continued Unfunded Mandates from all three branches of State Government
Financial Management
Top 10 Strategies for a Solid Fiscal Future
Top Ten County Finance Strategies

- 10. *Legislative Vigilance and Advocacy*
10. Legislative Vigilance and Advocacy

- Publicly Funded Health Care Contribution Act, PA 152 of 2011
- EVIP/Revenue Sharing
- Personal Property Tax
- Indigent Attorney Compensation
Top Ten County Finance Strategies

- 10. Legislative Vigilance and Advocacy
- 9. Focus on Employer/Employee Relationships
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- Employee Survey
- Contract Negotiations
- Training
- Communication
  - Digest
  - Brown Bag Lunches
  - Management Book Review Luncheons
- Build Trust – Unions will respond
- End of Year, One-time adjustment
- Employee Suggestion Box
Top Ten County Finance Strategies

- 10. Legislative Vigilance and Advocacy
- 9. Focus on Employer/Employee Relationships
- 8. Interest Rates
8. Interest Rates

This is somewhat captive of the FED and the national economy, however...

- Review County Investment Policy with County Treasurer
- Investment Pool – Kent County
- Refund Local Unit Bonds – Grand Traverse County
Top Ten County Finance Strategies

- **10. Legislative Vigilance and Advocacy**
- **9. Focus on Employer/Employee Relationships**
- **8. Interest Rates**
- **7. Economic Development Focus**
7. Economic Development Focus

• While there are many global and national forces that impact our economy and cause reductions statewide in property tax revenue, there is much that can be done at the county level to encourage growth

• Keep property taxes at lowest level possible while maintaining quality services

• Make sure that regulations that impact business represent best practices and are reasonably enforced

• Have some involvement in economic development
Possible roles in economic development, tools in the toolbox

• Help fund existing economic development agencies, and/or take the lead role in economic development

• Create a Countywide Brownfield Redevelopment Authority

• Create a Land Bank Authority

• Culture

• Consistent Local Government Zoning Composite Maps
Top Ten County Finance Strategies

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- 8. Interest Rates
- 7. Economic Development Focus
- 6. Financing Tools – Think Long Term
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<table>
<thead>
<tr>
<th>Financing Tool</th>
<th>Current Balance</th>
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<tbody>
<tr>
<td>Solid Waste Clean-up</td>
<td>$2,710,567</td>
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<tr>
<td>Infrastructure</td>
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<td>Public Improvement</td>
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<td>Delinquent Tax Revolving Fund</td>
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<td>Equipment Pool</td>
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<td>DB/DC Conversion</td>
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<tr>
<td>Compensated Absences</td>
<td>$3,444,399</td>
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</tbody>
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Ottawa County Insurance Authority (OCIA)

- Created in 1993 per Intergovernmental Contracts Act, MCL 124.1, et. Seq. which allows separate legal entity insurance pools
- County and Building Authority partnered in creating OCIA
- Keeps more money in community
- Provides funding for initiatives
- Current balance $27.7 million
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- 5. Technology
5. Technology

- Most significant game changer
- Traditional thinking, technology investment = reduced work force
- New thinking, apply technology to improved business workflows, work force reductions through attrition
- Define Return on Investment (ROI) for each project
- Justice Imaging System Cost $1.2 million – ROI = $18.7 million over 25 years
- Enterprise Resource Planning (ERP) – Munis Software and Implementation Cost $1.6 million – ROI = 10-20% staff reduction through attrition resulting in $100,000-200,000 in savings per year
- Miottawa.org
- Refocus from technology management to business solutions development
- Development of cell tower revenue to fund technology improvements
Top Ten County Finance Strategies

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- 5. Technology
- 4. LEAN Think Better
4. LEAN  Think Better

• Continuous improvement
• Business/work process review and improvement
• City of Grand Rapids, MI
• City of Fort Wayne, IN
Top Ten County Finance Strategies

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Compliance with PA 152 of 2011

• **Pros & Cons**
  – 80-20
  – Hardcap
  – Opt out
• Implement High Deductible HSA type plan
• Employees manage their own health through market decisions Employee choice
• Implement 20% Premium Co-pay for all other plans
• Implement Robust Health Management Plan
• Best chance to dramatically reduce future claims expense
Top Ten County Finance Strategies

- 10. *Legislative Vigilance and Advocacy*
- 9. *Focus on Employer/Employee Relationships*
- 8. *Interest Rates*
- 7. *Economic Development Focus*
- 6. *Financing Tools – Think Long Term*
- 5. *Technology*
- 4. *LEAN  Think Better*
- 2. *Manage OPEB Expense: Pension Legacy Cost/Retiree Health Insurance*
2. Manage OPEB Expense: Pension Legacy Cost/Retiree Health Insurance

- Transition from Defined Benefit (DB) to Hybrid, or even better, to Defined Contribution (DC)

- Ottawa County estimates a net $30 million savings 30 years after moving new hires to DC.
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- 2. Manage OPEB Expense: Pension Legacy Cost/Retiree Health Insurance
- 1. Be Frugal
1. Be Frugal

*If all else fails, take the Dutch approach and spend as little as possible!*
“If you fail to plan, you are planning to fail”
~Benjamin Franklin

“Plans are nothing, planning is everything”
~Dwight D. Eisenhower
“Some people skate to the puck, I skate to where the puck is going to be.”

WAYNE GRETZKY
We stand on the shoulders of those who came before us and have a responsibility to leave our county organization so future generations of leaders can stand on our shoulders.

“Yertle the Turtle”
By Dr. Seuss
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A copy of this presentation will be available at http://www.miottawa.org/Departments/Admin/
Financial Health Checklist

Management

- **Strategic Planning Process**
- **Outcome Based Performance Measurement**
- **Program Evaluation**
- **LEAN/Six Sigma Process Tool Use**
- **Citizen Survey**
- **Board Ranking of Functions and Services**
- **Identify Mandated v. Discretionary Levels**
  - Stabilization Fund
  - General Fund Balance Maintained at 10 – 20% of previous year expenditures
Financial Health Checklist

Finance

- Develop Targeted Fund Balances
  - Technology Fund
  - Telecommunications Fund
  - Equipment Fund
  - Public Improvement Fund
  - Motor Pool Fund
  - Delinquent Tax Revolving Fund
- Review all County fees and charges on a regular basis
- Evaluate Indirect Cost Allocation Plan each year *(MGT, Maximus)*
- Continuously Evaluate Value Proposition, taxes paid versus services provided
- Adopt balanced budget with no use of reserves
Financial Health Checklist

Benefits

- **EVIP Requirements**
  - Transparency
  - Compliance with PA 157 of 2011 (80-20, Hard cap, Opt out)
  - Intergovernmental Collaboration/Consolidation
- **Reduce OPEB Liability**
  - Eliminate Retiree Health Benefit programs for new hires
  - Transition Defined Benefit pensions to Defined Contributions for new hires
  - Eliminate other OPEB causing benefits from labor agreements and employee benefit packages
- **Implement High Deductible HSA Health Plan as option or sole plan choice**
- **Implement Health Management Plan with measurable outcomes**