

2008 BUDGET
for
OTTAWA COUNTY
GRAND HAVEN, MICHIGAN
www.miottawa.org

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October 23, 2007

Board of County Commissioners and Citizens of Ottawa County:

Transmitted herein are the 2008 Operating Budgets for County operations. The combined budget, including component units, totals \$247,179,223 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 2008 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 2008 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.

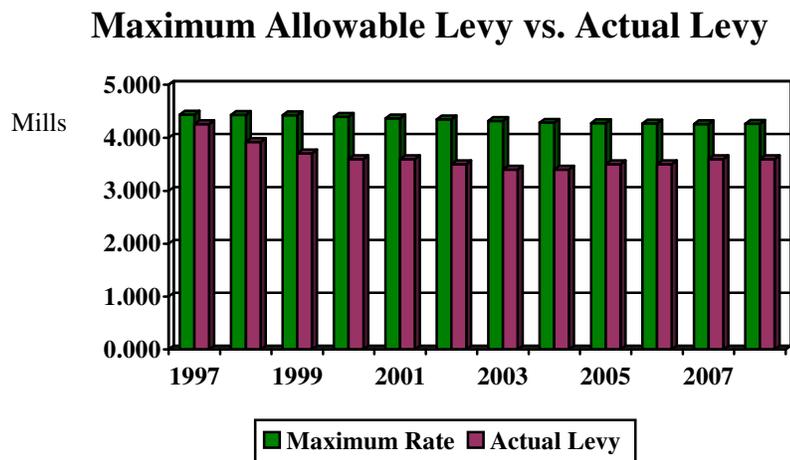
An appendix and an index are also included to provide other information and assist in locating desired information.

FINANCIAL ISSUES

The 2008 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 2008 Budget reflects the continued implementation of the long term deficit reduction plan developed in 2004. At the same time, the County is cognizant of the uncertainties surrounding future State funding and sensitive to taxpayer contributions.

Major revenue considerations include the following:

Citizen Tax Burden: Ottawa County has a maximum tax limit of approximately 4.2650 mills for 2008 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 2008 budget. However, in an effort to reduce the tax burden on County citizens, the Board has chosen to continue to levy the lower 2007 amount - 3.6 mills - for 2008 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 twelfth 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 1997 - 2008:



Annual tax revenue growth nevertheless remains steady as a result of increases in our property tax value ranging from 5.36 to 6.19 percent over the last five years. However, the decline in the housing market may eventually stunt this growth. The concerns with the tax base will be discussed later in this document.

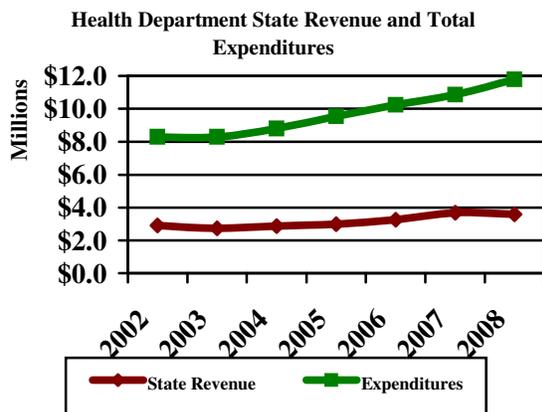
State Funding: The State of Michigan continues to experience major challenges in balancing its budget. These challenges have been ongoing for the last several years. The following information taken from the State of Michigan's Comprehensive Annual Financial Report shows the State's deteriorating position:

State of Michigan Financial Results - 2006

	State General Fund	State School Aid Fund
Total Fund Balance 9/30/05	\$1,453,393,000	\$97,968,000
Total Fund Balance 9/30/06	\$1,069,240,000	\$7,350,000
\$ Change in Fund Balance	(\$384,153,000)	(\$90,618,000)
% Change in Fund Balance	-26.4%	-92.5%
Total Fund Balance 9/30/06	\$1,069,240,000	\$7,350,000
2006 Expenditures	\$23,111,264,000	\$12,636,481,000
2006 Fund Balance as a % of Expenditures	4.6%	0.1%

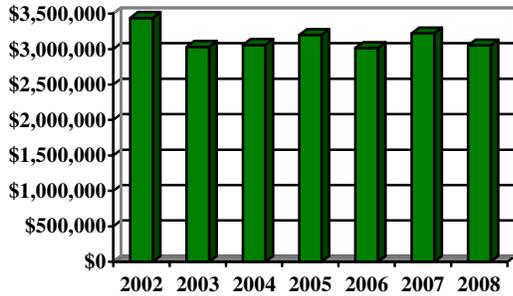
From the table above, it is clear the State is spending down its fund balance. Generally, entities are advised to have at 10-15% of expenditures covered in their fund balance. Clearly, the State's financial health is deteriorating. Based on recent projections, the financial results for 2007 will show further deterioration. In fact, days before the new fiscal year was to start, the State had still not adopted a budget for the 2008 fiscal year.

Consequently, the County is anticipating additional funding cuts. Specifically, it appears that the Convention Facility Tax will be significantly reduced. Statutorily, 50% of convention facility tax must be used for substance abuse, but the remaining 50% may be used for any County program. In the 2007 budget, \$440,000 of the Convention Facility Tax was used to fund general operations of the Health department. Although funding decisions had not been made by the State within the County's budget process, the 2008 budget does not include any portion of Convention Facility Tax for general operations.



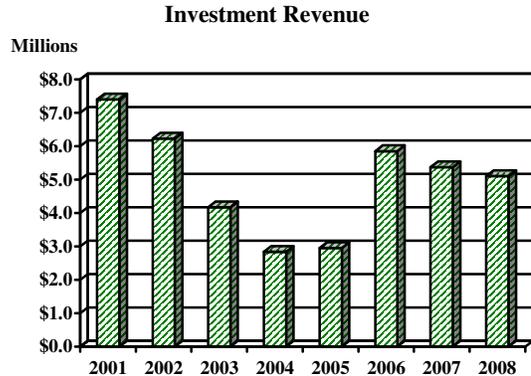
Unfortunately, the State's budget woes are affecting more than Convention Facility Tax. The County receives State funding for a variety of programs, and State funding for Public Health programs is one of the hardest hit areas. Decreases in State funding or flat revenue have resulted in the choice between 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.

**State Revenue in the General Fund
(does not include revenue sharing)**



In addition, the General Fund has also suffered due to the State's budget problems. The graph to the left shows that revenue is flat or decreasing. At the same time, expenditures continue to rise. Consequently, local dollars are paying a larger share of the expenditures these State funds were supposed to cover.

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 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 of 3 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. Interest rates and investment revenue are moving up, however they are not expected to reach the 2001 level. Beginning in 2008, cash balances will fall as the County funds \$20 million of the Fillmore facility expansion and the new Grand Haven Facility. Assuming an annual return of 4%, the investment revenue used for operations will decrease by \$800,000 - \$1,000,000 per year for the County as a whole. The previous graph illustrates these trends.

Major expenditure considerations include the following:

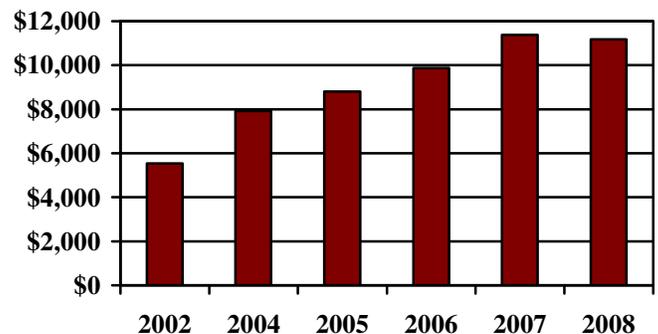
Increased Costs to Provide Services: Like most organizations, the County faces continued increases in expenditures, and, over time, these increases negatively impact the provision of services.

Health 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.

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

Ottawa County Health Insurance per Employee



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 three years. In addition, prescription co-pays have also been increased.

The County has begun to see the benefit of these changes as evidenced by the graph to the above. The actuarially determined annual cost for 2008 actually *fell* slightly from 2007. Given the other challenges the 2008 budget has presented, the timing of this cost decrease is certainly fortuitous. In addition, the new 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:

In addition, the County is implementing 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 bargaining units 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 to purchase health insurance at group rates. For calendar year 2008, the County’s annual required contribution (for all funds) is \$920,000.

Facilities Cost:

In July of 2007, the Board of Commissioners approved the revised funding plan for the addition to the Fillmore Complex and a new Grand Haven facility. The estimated cost for the two projects is \$30 million. The County is issuing \$10 million in bonds in October of 2007. The remaining \$20 million is available in the following funds:

- General Fund Designation for Buildings \$5,585,000
- Public Improvement Fund \$5,515,000
- Solid Waste Clean-up Fund \$2,500,000
- Public Health \$1,300,000
- Child Care - Circuit Court \$ 500,000
- Department of Human Services \$ 500,000
- Telecommunications \$2,600,000
- Equipment Pool \$1,500,000

In addition to the construction costs, the debt service payments will also need to be covered. Total debt service payments for the project are projected to be \$750,000 per year. The County plans to take the payment amounts from the following funds in the indicated proportion:

- Ottawa County, Michigan Insurance Authority - 20%
- Telecommunications - 20%
- Delinquent Tax Revolving Fund - 20%
- Public Improvement - 23%
- Infrastructure - 17%

Payments are anticipated to begin 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 construction 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. By way of example, the new Holland District Court facility, completed in 2006, is almost 44,000 square feet larger than the previous facility. Actual expenditures to operate the prior facility in 2005 were \$72,000. The 2007 budget for the facility is \$220,000.

The Fillmore Complex expansion is 35,000 square feet, and operational costs are anticipated to increase by 40% at completion. Expenditures (variable) for the current facility are estimated to be \$677,000 in 2007, so a 40% increase equates to \$271,000. The new Grand Haven facility will be approximately 35% larger. Although the County will see some cost savings from more efficient heating and cooling systems, costs are still expected to increase by 30%. For 2007, expenditures are expected to be \$618,000, so a 30% increase equates to \$185,000. In total, then, ongoing operating costs are expected to increase by \$456,000 per year as a result of the building project.

Unfunded Mandates: Unfunded mandates are state and/or federally legislated 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, a 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. The ranking will be reviewed and refined during 2008. The results will be used as a basis for future budget discussions.

Balancing the 2008 Budget: The upward pressure on expenditures combined with flat or decreasing revenue results in a deficit for the 2008 General Fund as submitted by departments. Specifically, expenditures exceeded revenues by nearly \$2.5 million, not including personnel requests. However, this compares quite favorably to the 2007 budget submitted by departments that came in with expenditures exceeding revenues by over \$4 million. The deficit reduction plan (discussed later) has positively impacted the operational budget.

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 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 2008, 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 2008.

Although at first glance it may seem as though revenues were significantly increased to balance the budget, revenues were actually decreased slightly. Currently the General Fund has a fund balance designation for building projects. Approximately \$2.9 million of this designation will be used in 2008, and this is included as a revenue source in the Fiscal Services budget. A corresponding increase in operating transfers out was also added at the same time. Factoring this out, revenues in the General Fund were decreased by \$162,000 in various departments based on current and projected activity.

Consequently, the budget balancing came on the expenditure side. Specifically, expenditures were decreased by \$1.79 million after adjusting for the transfer out for the building project. Due to budgetary constraints no new personnel affecting the General Fund's budget were approved. In addition, during the budget process, the Planning and Grants department completed its evaluation of the Parenting Plus program. The evaluation noted that the State is statutorily required to provide services to families with substantiated cases of child abuse (just under half of the Parenting Plus caseload). In addition, the low program completion rates, low caseloads and high per client cost necessitated major changes to the program which is reflected in the 2008 budget. Specifically, County funding (in the form of an operating transfer from the General Fund) was reduced by \$442,000.

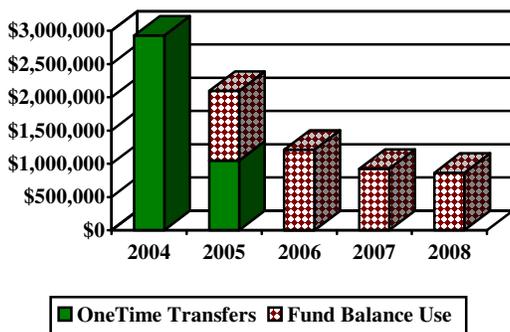
In addition, various divisions of the Family Court included a software development proposal with their 2008 budget for which the County costs would have been approximately \$538,000. Significant improvements have been made in the last few years to the Juvenile division system, and the proposal was to revamp other Family Court divisions. However, due primarily to budget concerns, funds for this project were removed.

The County also reviewed historical budget versus actual expenditures in personnel services. Employees have the option to not take health insurance and receive a payment of \$500 per year. This reduces departmental charges for health insurance by nearly \$10,700 per full time equivalent. Based on the current number of employees who opt out of insurance, the General Fund will save \$364,000 in 2007. To be conservative, the County reduced the General Fund 2008 budget for health insurance by \$275,000. In addition, the Public Health fund is budgeted to use \$100,000 of fund balance, but based on the number of Health Department employees who opt out of health insurance, it should not need to use fund balance. This reduced the General Fund's operating transfer to the fund by \$100,000.

The remaining 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.

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 reduce the amount of budgeted undesignated fund balance usage from the adopted 2007 budget. The 2008 budget includes undesignated fund balance use of \$864,000. This compares favorably to the budgeted fund balance use with the 2007 Adopted Budget of \$925,000 and 2006 Adopted Budget of \$1.2 million. It appears the County may be headed in the right direction. Moreover, the amount budgeted to come out of undesignated fund balance, \$864,000, is only 1.2 percent of total expenditures. Historically, at year end, the County has come in under budget by a greater percentage. **Consequently, the County does not anticipate a reduction in undesignated fund balance at the end of 2008.** This strategy has been chosen to avoid unnecessary tax increases and program reductions. **Equally important, the 2008 Budget does not include any one-time transfers from other funds to cover the operational deficit.**

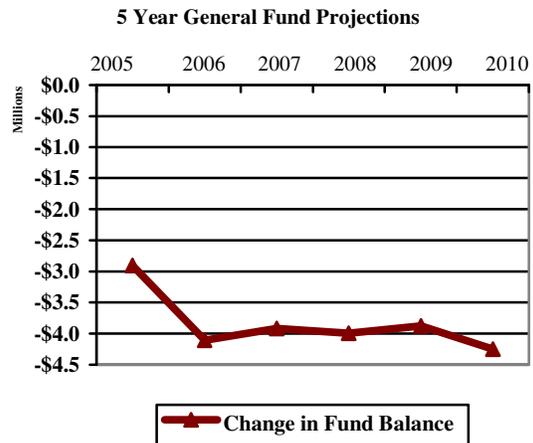
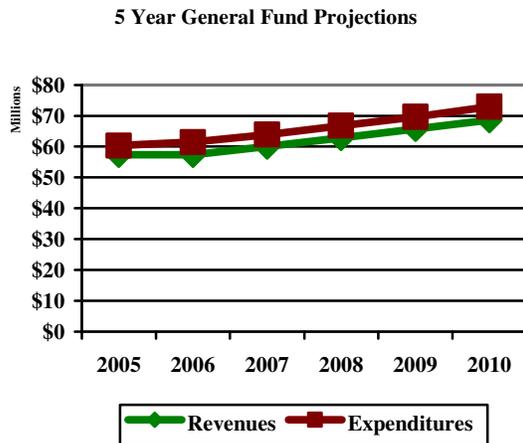
General Fund Budget Balancing Strategies



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 2008 Budget, the only non-recurring funding source is budgeted fund balance use of \$864,000.

In all, the results of the 2008 budget process are quite encouraging for Ottawa County. The gap between revenues and expenditures with the original department requests has narrowed. At the same time, the County has incorporated other post employment benefits into its 2008 budget. The use of fund balance and one time dollars is on the decline. However, state funding is on the decline, most notably the \$440,000 reduction in Convention Facility Tax that has been incorporated in the budget. Despite these challenges, the County is also able to avoid a millage increase, leaving it better able to address the financial uncertainties of the future. Although no new positions affecting the bottom line of the General Fund are added with the 2008 budget, the County has not had to eliminate positions or services due to budget concerns. This makes Ottawa County unique, even in West Michigan. Adjacent counties have all had to reduce personnel to accommodate the budget.

Long-Term Financial Plans: Given the challenges of the past budget cycles, it became clear that the County needed to take a more detailed look at future projections. Beginning with the 2005 budget cycle, the County began to project financial activity out five years for the General Fund. The first projection assumed the County would keep its millage levy at 3.4 mills for 2005 and beyond. In addition, expenditures were assumed to increase at the same rate as they had been increasing. The graphs that follow show the result:



The projections showed that expenditures would continue to outpace revenues, eating up the County’s fund balance rather quickly. It became clear that some of the negative revenue trends were not just temporary setbacks, but were permanent operating deficits.

As a result, the County began to look at options to close this gap. Ottawa County is in the enviable position of having a significant “cushion” in its millage levy because the Headlee maximum allowable millage is not levied. However, ever mindful of the taxpayer, it is important to close the budget gap through a combination of millage increases and expenditure reductions.

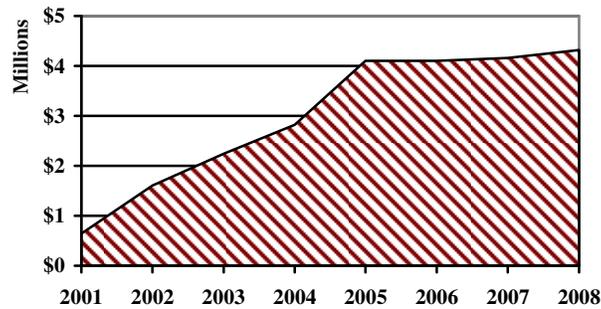
Specifically, the County planned the following strategies to reduce the operational deficit:

- 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 made significant progress with these 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 budget. However, the difference between what the County could levy and will levy (“the cushion”) remains at a healthy \$6.89 million.

As planned, the County did institute a hiring freeze for full time positions funded by the General Fund in the 2006 Budget. In the past, personnel added during the budget process increased expenditures by an average of \$500,000 per year. However, it is the compounded effect of these additions over the years that is even more significant. The graph that follows illustrates how quickly annual personnel additions increase expenditures.

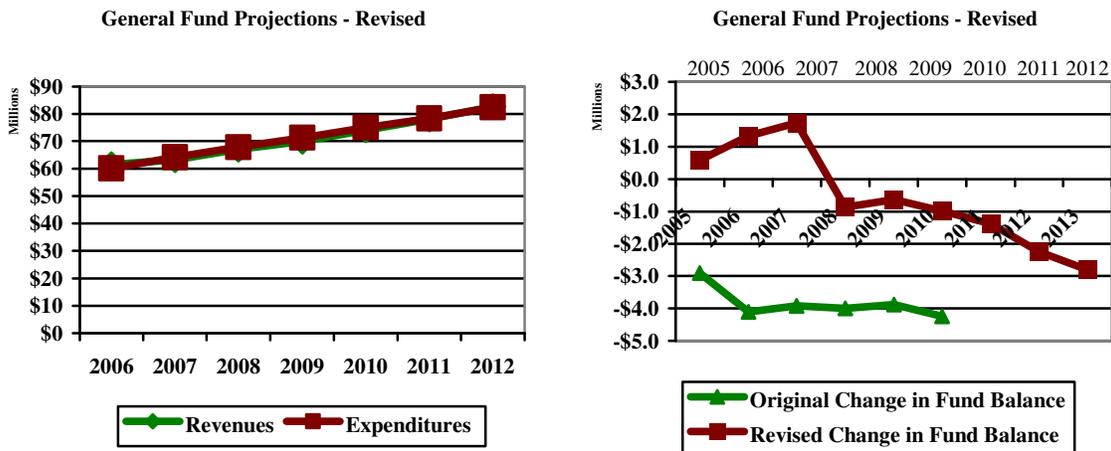
Cumulative Cost of Personnel Added During the Budget Process



The graph above shows that in just five short years, the cumulative cost of personnel additions has grown to \$4.3 million per year. Due to continued budget concerns, the hiring freeze was extended into the 2007 and 2008 Budgets. No new positions that affect the General Fund budget are included in the 2008 Budget. However, personnel may be requested during the year and will be considered if the requests do not affect the General Fund budget or are the result of new/expanded facilities.

The 2008 insurance co-pay for all employees will increase from approximately 7 percent to 8 percent of the actuarially determined cost effective January 1, 2008. The County's negotiating team has included these co-pay increases in the contracts of the County's bargaining units. The current bargaining units contracts expire 12/31/08.

After implementing the adjustments made so far, we can see a significant improvement in the forecast:

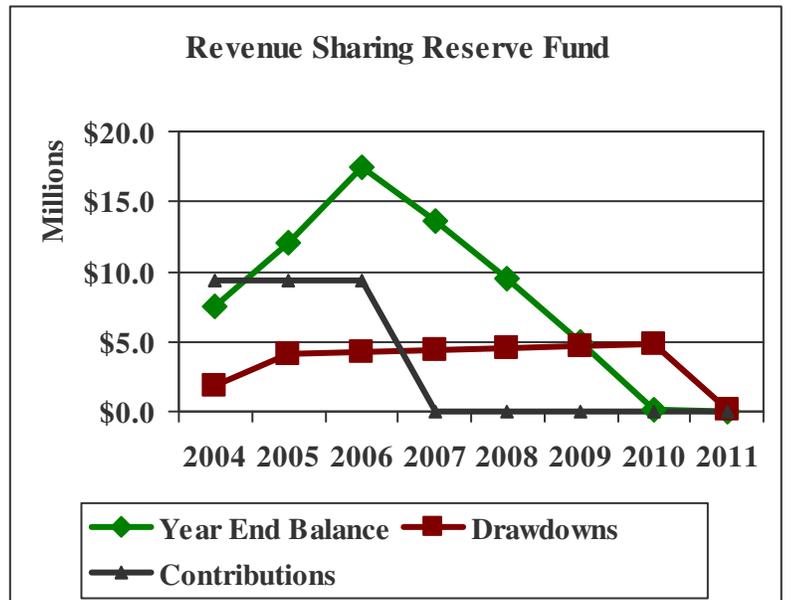


Once the projections are adjusted, the outlook is improved. However, the graph to the right shows that expenditures are still outpacing revenues. There is more work to be done. As the Board of Commissioners refines their ranking of discretionary services, this can be used to bring expenditures in line with revenues.

Unfortunately, other concerns have come to light that may necessitate additional response. Specifically, the additional funding issues for Other Post Employment Benefits, the potential effect on the tax base due to the downturn in the housing market, and the impact of the

State budget problems on the promised reinstatement of revenue sharing have negatively affected the five year projections. The revised projections indicate a significantly wider gap between operational revenues and operational expenditures.

State Revenue Sharing: In October of 2004, the State of Michigan eliminated State Revenue Sharing payments to counties. To assist counties in preventing the loss of key services, the county property tax levy is being 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 has 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. The projected progress of the fund is reflected in the previous graph.



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 \$101,000 in funding projected for the 2011 budget. The current payments from the Revenue Sharing Reserve Fund approximate \$4.1 million. If Revenue Sharing is not reinstated, program cuts and/or tax increases are likely.

At this point, the fifth strategy to address the operational deficit, review and rank discretionary services for possible reductions will become important. The County has already begun to put this strategy in place. In 2005, the County employed an intern to gather data on the mandatory and discretionary programs of the County. For each department, specific services were identified and categorized as mandatory, necessary, or discretionary. During 2006, departments were asked to assign costs to the services. During 2007, Commissioners completed their first ranking of discretionary services to guide future spending priorities, and the Commissioners will refine the ranking during 2008. Should Revenue Sharing not be reinstated, the County will have a plan in place to reduce expenditures to match revenues.

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.

Tax Base: As with the rest of the country, the troubled housing market affects municipal budgets. Currently, the County has not felt the true effects of declining home prices due to Proposal A of 1994. Proposal A limits increases in the taxable value of property to the lower of the consumer price index or 5%. This has artificially lowered the taxable value of the County by approximately \$2.1 billion which equates to over \$6 million in County operating taxes. Even though home prices are declining, 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.

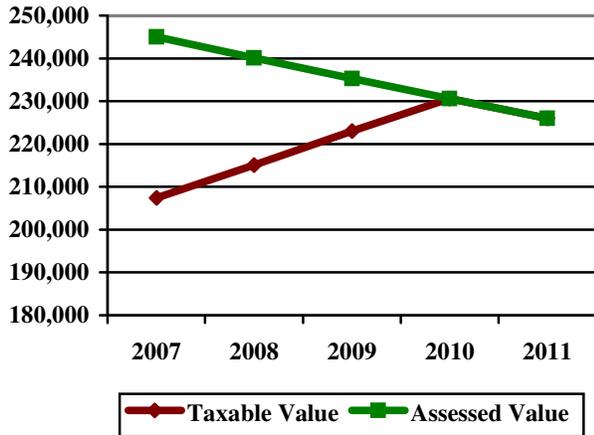
An example may be useful to illustrate this issue. Assume a home with a current assessed value of \$250,000 and a taxable value of \$200,000. Further assume that the consumer price index for tax calculation is 3.7% per year and that home prices (the assessed value) are falling 2% per year:

Potential Effect of Declining Home Values on the Tax Base

Assume: CPI Increases 3.7% per year
 Home prices (assessed value) decreases 2% per year

Year	Taxable Value Prior Year	Assessed Value Prior Year	CPI	Assessed Value Current Year	Taxable Value Current Year	% Change in Taxable Value
2007	\$200,000	\$250,000	3.7%	\$245,000	\$207,400	3.7%
2008	\$207,400	\$245,000	3.7%	\$240,100	\$215,074	3.7%
2009	\$215,074	\$240,100	3.7%	\$235,298	\$223,032	3.7%
2010	\$223,032	\$235,298	3.7%	\$230,592	\$230,592	3.4%
2011	\$230,592	\$230,592	3.7%	\$225,980	\$225,980	(2.0%)

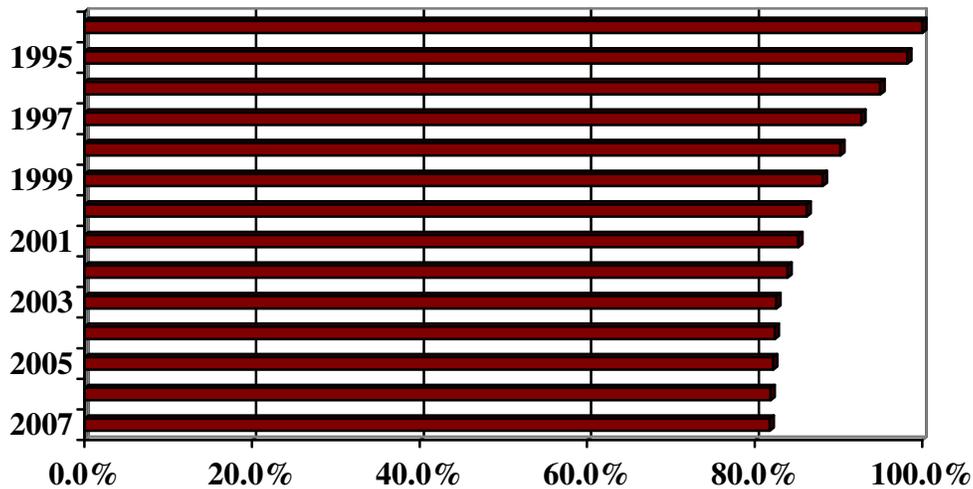
Progression of Taxable and Assessed Value as Housing Prices Fall



The graph to the left visually shows the closing gap between taxable and assessed value in this scenario. By the fourth year, the increase in taxable value is less than the CPI. By the fifth year, there is a *decrease* in taxable value. To equate this effect in terms of the County budget, a 2% decrease in taxable value would result in \$690,000 less in operating tax revenue. At the same time, continuing declines in the housing market may also have a negative effect on growth in the commercial sector. Consequently, the County must continue its vigilance over its tax base and address the ramifications it has for the operating budget.

Fortunately, thus far, the County has not felt the effects of declining home prices in its tax revenue. The gap between taxable value and assessed value continues to grow, though the rate of change has slowed considerably. The graph below shows the trends in taxable value and assessed value.

Ottawa County Taxable Value as a Percentage of Assessed Value



In 2006, the County's taxable value was 81.85% of assessed value. In 2007, the gap widened, albeit negligibly, to 81.79%. In contrast, Muskegon and Kent counties, adjacent to Ottawa County to the north and west, respectively, saw their gap begin to *close* between 2006 and 2007. Allegan County to the south, like Ottawa County, saw a small widening of the gap – from 93.5% in 2006 to 93.1% in 2007.

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 Equity 2006	Total Projected Equity 2007	Total Projected Equity 2008	Designated for Building Project in 2009
General Fund	\$ 19,863,626	\$ 21,437,310	\$ 17,588,788	\$ (2,531,673)
Special Revenue Funds	59,572,112	55,247,236	48,096,482	(8,446,839)
Delinquent Tax Revolving Fund	24,236,439	24,084,366	23,678,845	
Internal Service Funds	28,289,461	30,948,325	27,965,069	
Total Equity	\$ 131,961,638	\$ 131,717,237	\$ 117,329,184	\$ (10,978,512)

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 \$4.2 million of the decrease in the Special Revenue Funds. Admittedly, these are significant decreases in equity and do 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:

	2008 Expenditures	Less 2008 Transfers to Building Project	Estimated Operational Expenditures	Estimated Equity	Equity as a % of Expenditures
General Fund	\$ 70,021,723	\$ (2,927,327)	\$ 67,094,396	\$ 17,588,788	26.2%
Special Revenue Funds	83,880,841	(1,350,000)	82,530,841	48,096,482	58.3%
Delinquent Tax Revolving Fund	2,688,781	-	2,688,781	23,678,845	880.7%
Internal Services Funds	23,990,580	(1,760,000)	22,230,580	27,965,069	125.8%
	\$ 180,581,925	\$ (6,037,327)	\$ 174,544,598	\$ 117,329,184	67.2%

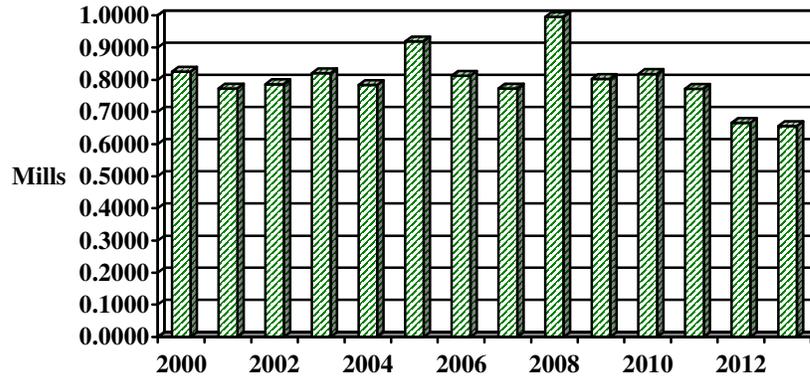
As mentioned in the discussion of State of Michigan finances, entities should ideally have sufficient fund balance to cover 10-15 percent of expenditures. The County continues to meet this standard. Although a significant portion of the equity is not available for operations or is designated in some way, the County still retains an excellent financial position. It should be clear that the sound financial planning from the past has prepared the County well for the projects it is undertaking.

In addition, as budgeting becomes more problematic, 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 2008 Budget is as follows:

- Solid Waste Clean-up Fund (2271) is continuing to pay the clean-up costs on the Southwest Ottawa Landfill (\$163,000). In addition, the State of Michigan approved the County's plan to recap the landfill and upgrade the groundwater purging system. The 2008 Budget includes \$1.37 million to complete the groundwater purging system upgrade that began in 2005. The balance of the funds for the landfill capping will be reimbursed from the Ottawa County, Michigan Insurance Authority. In addition, as part of the revised funding plan for the West Olive expansion project and new Grand Haven facility, \$2.5 million from this fund will be used for this construction project. The transfer is expected to take place in 2009.
- Infrastructure Fund (2444) is estimated to have approximately \$300,000 in cash available for projects requested by municipalities at the start of 2008. 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 2007 or 2008 for infrastructure improvements in Jamestown Township. Beginning in 2008, the fund will also contribute approximately \$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) does not include any construction costs in its 2008 budget. However, the 2008 budget does include a portion of the estimated debt service payments for the planned bond issue in 2007 for the Fillmore/Grand Haven project. Specifically, the fund will contribute approximately \$175,000 per year towards the debt service payments of the next 20 years. In addition, in 2009, the fund will also contribute approximately \$5.59 million 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 \$412,000 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 \$2.5 million on four bond issues. Beginning in 2008, the fund will also contribute \$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 2008 is just under \$975,000. In addition, the Telecommunications and Equipment Pool Funds are providing \$2.6 million and \$1.5 million, respectively, for construction costs on the Fillmore/Grand Haven project. Telecommunications will also contribute 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 2008 equates to 0.9952 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

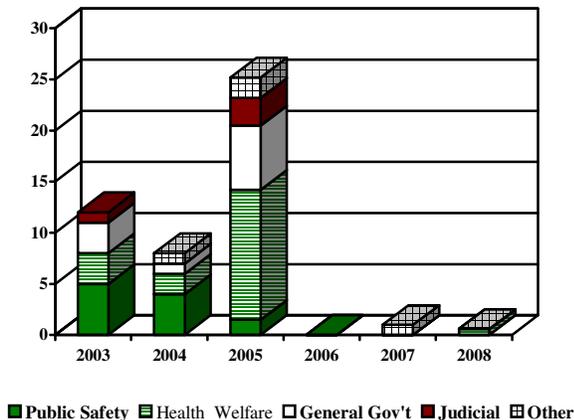


PROGRAMMATIC ISSUES

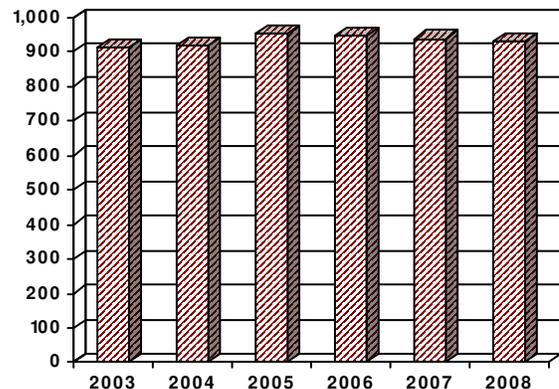
Staffing Needs: Every year, the budget process produces requests for additional employees from departments. Since Ottawa County is one of the fastest growing counties in the State of Michigan (with a population growth of nearly 34,000 during the past 10 years), additional service demands have been recognized. Unfortunately, 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.

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 2003-2008 added through the budget process and the total number of full time equivalents for 2003 – 2008:

Positions Added by Function 2003-2008



Ottawa County Full Time Equivalents



The decrease in 2008 full time equivalents reflects plans to revamp the Parenting Plus program.

Equipment/Technology Needs: Although the County is not able to add positions at this juncture, 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. Specifically, Circuit Court Records, Sheriff, Friend of the Court, and the Prosecutor have identified the following efficiencies:

1. Circuit Court Records (CCR) – Reduced internal document handling. Reduced manual file retrieval and lost file tracking.
2. Sheriff – Automated indexing significantly faster than previous system. Eliminated backlog. E-mail daily reports to schools saving paper copies. Estimated 30% reduction in paper use due to ability to e-mail documents versus copying and mailing or faxing. Accident reports available via County Web site. Improved Staff morale. Staff time saved finding historical documents
3. Friend of the Court – No longer making copies of files from CCR. Cost of paper for copies, time to retrieve files from CCR. Case workers retrieve their own files.
4. Prosecutor – Assembling research documents for cases. Current mail routing of case documents through inbox workflow.

Approximately \$250,000 is included in the 2008 budget for the completion of the implementation and maintenance of the system.

Second, the 2008 budget includes \$305,000 for new software in the Health department. Their current software will no longer be supported and was not meeting their needs, and they have selected Insight software to support public health services. Efficiencies identified include:

1. The Insight system allows for much easier, efficient, and accurate data entry by using drop down lists and error checking routines. Instead of keying in individual data fields, staff can use the point and click method.

Task	Current (Min)	Projected (Min)	Savings(Min)	Comment
Registration for either new or existing client	7 min	4 min	3 min	27,000 clinic appointments in 2006 results in an estimated \$1,761 per year savings

2. Data entry audit trails (tracks who has made changes to the data). This is not possible with current system, and is needed to correct errors and track problems efficiently.

Currently, individuals can make changes with no ability to identify who or when those changes were made.

Number of erroneous entries annually (Estimated)	>1000
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- Insight utilizes Electronic Medical Records (EMRs) – Easy to create, retrieve, transfer, and view patient medical data. Eliminates lost or illegible paper documents. Current system does not allow comprehensive medical records. EMRs can automatically graph patient time span data. E.g. weight, temp, blood pressure, etc. EMR can also highlight allergies and other conditions for client safety.

Time to gather information for EMR	Estimated time to generate EMR on new system
15 min for estimated 3000 EMR per year	<5

- Increased capacity to evaluate quality improvement objectives (volume and efficiencies). Meets higher percentage of the Health department’s stated goals, objectives, and measurement needs than existing software.
- Increased efficiency in interface with MCIR (Michigan Continuous Improvement Registry- State Immunizations Database). Mandated inventory controls are not available with current system. The download from MCIR immunization records will eliminate hours of manual data retrieval and reentry.

Current Time required to retrieve MCIR data manually (Min)	Estimated time to retrieve and import data electronically (Min)	Estimated Savings
15	0	\$8,805

- Insight includes a Report Builder Wizard – reports can be available on demand at all staff levels. Currently, complex processes, often needing IT staff, are required to retrieve data and generate reports.

Average IT Staff time to program/generate reports (Current)	Average IT Staff time to train Health Staff to create reports (Insight)	Average Health Staff time to program/generate reports (Insight)	Cost Savings (Estimated)
15 min to 2 hours or occasionally more per report	3 hour class (one time)	15 minutes	\$4,000

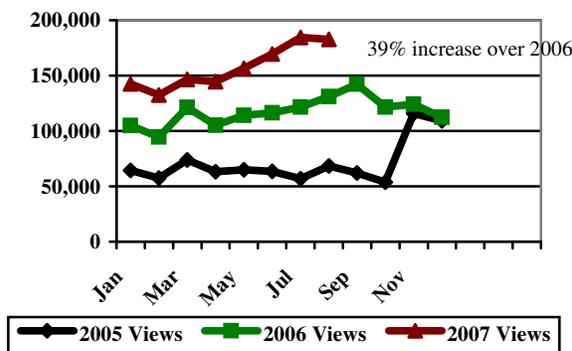
7. Insight has the ability to build a much more complete database of Ottawa County residents with data integration with state and U.S. Census databases, MCIR, and GIS applications.
8. Provides support for Health programs previously not served including: Epidemiology, Health Promotions, Dental Service, grant tracking, referral tracking, inventory control, and Child Health Disabilities and Prevention

The third technology initiative involves the CourtStream initiative for the Juvenile Division of the Family Court which began in 2005. The County has spent \$1.2 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 will eliminate dual entry which had been required to maintain the two independent systems: CourtStream and County Justice.

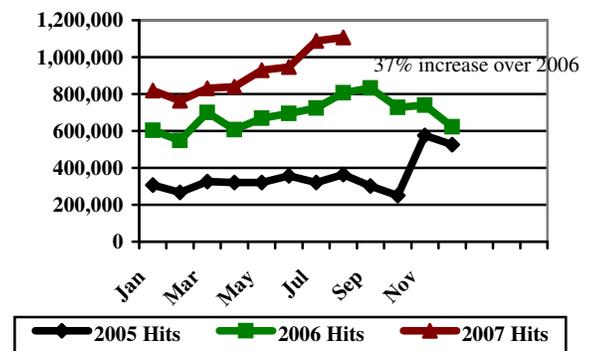
The Case Management Enhancements have automated previously manual processes and added external agencies allowing them to look up relevant information and reducing the time required by County Juvenile Services staff to respond to information requests. The Detention application will automate previously 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) is scheduled for implementation on October 2, 2007 along with Integration and the remaining Case Management Enhancements. Funds are included in the 2008 budget for hosting and maintaining the system.

The fourth major technology initiative underway is the County website. The County continues to expand the number of services available on the website. By making services available via the internet, the County will realize economic benefits by reducing demand on customer service staff. Further, the County will provide 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.

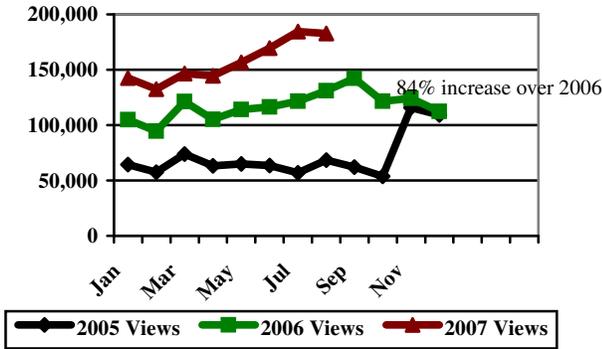
Page Views on County Website by Year



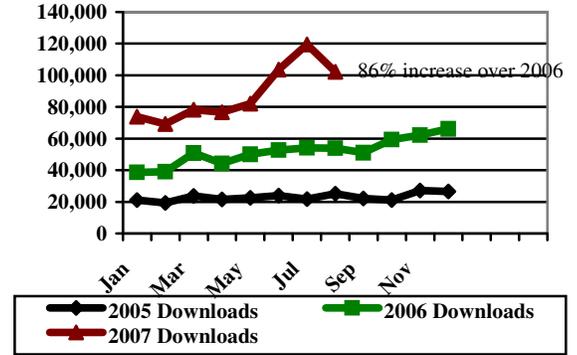
Hits on County Website by Year



Visits on County Website by Year



Document Downloads on County Website by Year



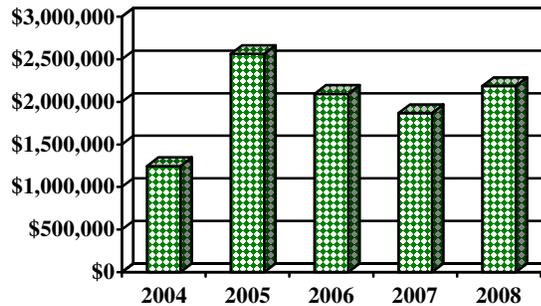
More services are planned for the website. The chart below shows the anticipated features to be added over the next 12 months:

Ottawa County Application Pipeline	Jan '07	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan '08	Feb	Mar	Apr	May	Jun	Jul	Aug
Accident Reports Imaging Integration		S	X																	
Environmental Health Permits & Apps									X											
Website Graphic Redesign & Conversion	S					X														
Juvenile Services Court Schedule				S					X											
District Court Hearing Schedule							S			X										
Court Record Lookup				S							X									
District Court Online Payments						S		X												
Court Documents/Imaging Integration						S						X								
Committee/Board Service Application								S					X							
Dog License Update 2007-08									S		X									
Park Reservation 2008 Update										S		X								
Register of Deeds - for Credit Card users												S				X				
Marriage & Death Record Order/Genealogy														S				X		
Business Name Search																S			X	
New Businesses Listing																S			X	
Weekly School Disease Reporting																		S		X
HR Application & Workflow (Internal dev?)																		S		
GIS MapStore																				
Sick-Dead Bird/Animal Reporting																				
Food Sanitation Online Training																				

Non-Ecommerce Project	S	Estimated Start
Ecommerce Project	S	Actual Start
	X	Estimated Completion
	X	Actual Completion
	H	Departmental Hold

In addition to the initiatives above, the 2008 Budget includes approximately \$2.2 million for other equipment and technology needs. The following graph shows the dollar amount of equipment added each year from 2004 to 2008 during the budget process:

History of Approved Equipment



BOARD GOALS

Several goals and objectives were identified by the Board of Commissioners in a strategic planning session in March, 2006. These concerns involved several different programs and areas. The section that follows discusses goals and objectives that are specifically addressed in the 2006, 2007 or 2008 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: Maintain or improve bond ratings

2008 Budget Ramifications: The 2008 budget includes \$42,000 for a lobbyist to represent the County on legislative matters. In addition, with the 2008 Budget, additional progress has been made on the projected operational deficit. The 2008 Budget does not include any one-time transfers from other funds to help balance the budget other than the transfer from the Revenue Sharing Reserve Fund (discussed previously). Although the 2008 Budget reflects an undesignated fund balance use of \$864,000, the County does not anticipate an *actual* fund balance use based on past expenditures patterns. In fact, the 2008 Budget fund balance use figure is smaller than the fund balance use originally adopted in 2006 and 2007.

In addition, the 2006 hiring freeze was extended into 2007 and 2008 for positions affecting the General Fund. Also, during 2007, the County Board approved changes to retiree health care benefits (discussed later). These changes significantly reduced the County's liability for OPEB. The 2008 budget includes \$920,000 to fund the annual required contribution for OPEB. 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: Strengthen role in state and national professional organizations

2008 Budget Ramifications: The 2008 Budget includes \$20,000 for a new citizen survey which will rate the success of efforts to address several communication objectives. In addition, the 2008 Budget includes \$220,000 for website development discussed previously under “Technology.” A second employee survey (the first survey was done in 2005) was completed in 2007. The 2008 Budget includes \$10,000 for an annual report and additional funds for a local unit newsletter, and an employee newsletter.

Last, several staff and Commissioners hold leadership roles on state and national professional association boards and committees. Ottawa County Prosecutor Ronald Frantz currently serves as the president of the Prosecuting Attorneys’ Association of Michigan. Ottawa County Equalization Director Michael Galligan was recently elected Secretary of the Michigan Association of Equalization Directors. This puts Michael in a rotation where he will serve as Secretary for two years, Vice President for one-year, and finally as President for one-year. Commissioners Gordon Schrottenboer and Roger Ryzenga serve on the National Association of Counties (NACO) Justice and Public Safety Committee, and the NACO Transportation Committee, respectively. Commissioner Joyce Kortman serves as Vice Chair for the NACO Health Steering Committee. Other Commissioners, Elected Officials and staff are active in a variety of local, state and national organizations.

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

2008 Budget Ramifications: Significant progress has been made on land use planning issues. The 2008 Planning Commission budget (Fund 2420) includes \$68,000 for the completion of the

urban growth study for the County. In addition, the 2008 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.

The Planning Commission budget includes \$25,000 for economic development attraction. The Planner/Grants budget in the General Fund (1010-7211) also includes over \$50,000 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 2008 Parks and Recreation budget includes a .3058 mill levy for park development, expansion and maintenance. The 2008 Budget includes a total of \$6.6 million for land acquisition and capital improvements to existing properties.

During 2007, the Board of Commissioners approved a revised financing plan for the Fillmore Complex addition and the construction of the Grand Haven facility. The Building Authority Capital Projects fund reflects the \$10 million bond issue and anticipated construction costs for 2007. The 2008 budget includes over \$12 million for the continued construction on the two facilities. The corresponding debt service fund also reflect the associated debt service payments (estimated at \$750,000 per year) that will be added as a result of the initiative.

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 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

2008 Budget Ramifications: During 2007, organizational reviews were completed for Mental Health, the County Clerk, and the Prosecutor. The 2008 budget reflects the consolidation of the Equalization and Property Description and Mapping departments and the staffing changes therein. The budget also reflects the consolidation of the Fiscal Services and Administrative Services departments and its corresponding staffing changes. In addition, the 2008 budget includes the continuation of outcome based performance measures and program evaluations. Specifically, the 2008 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 \$2,000 to provide basic training seminars for the local units. State budget issues have put the receipt of approximately \$880,000

in convention facility tax revenues in jeopardy. Half of these revenues are used to fund substance abuse programs in the County, the other half may be used for any County service. The 2008 budget does not reflect the half that may be used for any County service in order to be conservative. Though the other half is included in the substance abuse budget, the County is working with departments to help the Board determine priorities should the funding be lost.

BUDGET SUMMARY

The 2008 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 2007 and 2008 Budgets are the result of the concerns previously discussed. Financial highlights and fluctuations of the 2008 Budget as compared to 2007 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>	<u>2007 Amended Budget</u>	<u>2007 Percent of Total</u>	<u>2008 Proposed Budget</u>	<u>2008 Percent of Total</u>	<u>Percent Increase (Decrease)</u>
Taxes	\$ 41,743,178	26.1%	\$ 43,898,485	25.8%	5.2%
Intergovernmental Revenue	57,666,044	36.0%	56,812,777	33.3%	-1.5%
Charges for Services	12,672,967	7.9%	13,011,541	7.6%	2.7%
Fines and Forfeits	1,045,600	0.7%	1,054,100	0.6%	0.8%
Interest on Investments	3,208,182	2.0%	3,228,968	1.9%	0.6%
Rental Income	6,923,997	4.3%	7,413,044	4.4%	7.1%
Licenses and Permits	756,610	0.5%	768,865	0.5%	1.6%
Other Revenue	1,764,480	1.1%	1,871,079	1.1%	6.0%
Operating Transfers In	17,899,431	11.2%	27,263,215	16.0%	52.3%
Bond Proceeds	10,000,000	6.2%	-	0.0%	-100.0%
Fund Balance					
Use/(Contribution)	6,482,628	4.0%	14,938,384	8.8%	130.4%
Total Revenues	\$ 160,163,117	100.0%	\$ 170,260,458	100.0%	6.3%

Taxes serve as the primary revenue source for the General Fund, E-911, and Parks and Recreation Fund. The 2008 tax revenue budget includes levies for the following purposes:

	<u>Millage for 2007 Budget</u>	<u>Millage for 2008 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 2007, 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.

Intergovernmental Revenue represents 33.3 percent of the Governmental funds revenue budget and is decreasing slightly. However, there are several areas of fluctuation. Major fluctuations by fund follow.

General Fund	(\$625,000)
Parks and Recreation	1,786,000
Friend of the Court	(244,000)
Health	(386,000)
Mental Health	777,000
Sheriff Grant Programs	(843,000)
Sheriff Contracts	1,666,000
EMT Georgetown	(777,000)
Workforce Investment Act (WIA) Funds	(1,703,000)
Community Action Agency/Weatherizatio	(259,000)
Child Care - Circuit Court	(127,000)

Intergovernmental Revenue in the General fund is decreasing because the Sheriff Curb Auto Theft (SCAT) grant (\$69,000) and certain departments accounting for contractual arrangements between the Sheriff and municipalities were consolidated with fund 2610, Sheriff Contracts (\$283,000). In addition, the County has not been notified of any State Criminal Alien Apprehension Program (SCAAP) funding (\$64,000), and a portion of the Homeland Security grant is expiring (\$60,000).

Intergovernmental Revenue in Parks and Recreation (2081) fund is increasing in anticipation of a \$2 million Michigan Natural Resources Trust Fund grant for the Olive Shores property and a \$360,000 federal transportation enhancement grant for the Upper Macatawa property. In the Friend of the Court fund (2160), intergovernmental revenue is falling due to a change in the funding formula. Previously, federal incentive payments were on top of the cooperative reimbursement grant. However, effective with the 2008 fiscal year, these payments must be netted against expenditures before calculating the grant amount.

In the Health fund, intergovernmental revenue is falling because grant notifications had not been issued for certain Health department grants during the budget process. The County does not budget for grants until funding is near certain.

The increase in Mental Health intergovernmental revenue, approximately 2.6%, is due to projected increases in Medicaid funding. The decrease in intergovernmental revenue in the Sheriff Grant programs is because the County has spent most of the Homeland Security dollars available for equipment. As mentioned in the General Fund, intergovernmental is decreasing because certain Sheriff contractual arrangements are now being accounted for in the Sheriff Contracts fund (2610). In addition to certain General Fund programs, the EMT Georgetown fund (2650) has also been consolidated into the Sheriff Contracts fund (2610).

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 2007 figures may include grant carry forward revenue from prior years which are not budgeted in 2008 as the County does not have approval for those carry forward revenues at this time.

Intergovernmental revenue in the Child Care Fund is decreasing as a result of the completion of the web-based technology initiative discussed earlier. The 2007 budget included approximately \$230,000 in revenue as the State's share of the project.

Charges for Services revenue, at just 7.6 percent of total revenue, is increasing slightly. Charges to departments for indirect administrative costs are increasing \$396,000. 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. Of the \$396,000 amount, \$184,000 is due to the expansion of the Hudsonville District Court. The increased charges represent both the expanded facility cost as well as a correction for the expansion in the previous year. The remainder of the increase is spread across several departments.

Rent Income is increasing due to the Fillmore/Grand Haven project. For most Building Authority projects, there are lease agreements between the County and the Building Authority that authorize rent charges to the County that pay for the debt service payments on the projects. The corresponding revenue, rent income, is reflected in the Building Authority Debt Service fund. The County anticipates \$750,000 in debt service payments on the Fillmore/Grand Haven project from the bond issue planned for 2007. However, rent income is falling in the Public Improvement fund with expiration of chargebacks on certain renovation projects.

Other Revenue is increasing slightly due to the projected donations in the Parks and Recreation department for the Nature Center fund raising project.

Operating Transfers In is increasing mainly due to the building project. Specifically, \$8.8 million is being transferred from other funds to the Building Authority Capital Projects fund. There is also an increase for additional operating expenditures of the Health fund.

Bond Proceeds revenue is \$10 million in 2007 to reflect the October bond issue for the Fillmore/Grand Haven project.

Fund Balance usage varies significantly both in the Revenue Sharing Reserve fund and as a result of capital projects. Since contributions to the Revenue Sharing Reserve fund are complete, it will use fund balance each year until depleted. In 2007, fund balance use in this fund is expected to be \$4.1 million. In the Building Authority Capital Projects fund, the County anticipates there will be \$3.9 million in unused bond proceeds for the Fillmore/Grand Haven project. This will be used in 2008, and only the amount needed from other funds will be transferred in 2008. The General Fund is also showing a large fund balance use due to the construction project. The County anticipates using \$2.9 million of *designated* fund balance for the project. The Parks and Recreation fund is also budgeted to use \$1.6 million in fund balance for land purchases and improvements to County parks. The Solid Waste Clean-up fund is

budgeted to use nearly \$1.3 million in fund balance in connection with the well and purge system of the landfill.

In addition to the planned use of fund balance for construction and revenue sharing replacement, there are a few funds *budgeted* to use fund balance for operations in 2008:

<u>Fund</u>	Budgeted Fund Balance Use for 2008
General Fund	\$864,000
Health	100,000
Community Corrections	100,000

The Community Corrections program is in the process of making program changes to lower costs and generate more revenue. As discussed earlier, the Health department is budgeted to use fund balance, but the amount should be covered by employees who opt out of health insurance coverage. \$305,000 is also planned for the software purchase discussed earlier. In the General Fund, **the County does not anticipate having to use undesignated fund balance in 2008. 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	2007 Amended Budget	2007 Percent of Total	2008 Proposed Budget	2008 Percent of Total	Percent Increase (Decrease)
Legislative	\$712,368	0.4%	\$605,507	0.4%	-15.0%
Judicial	13,664,375	8.5%	14,484,614	8.5%	6.0%
General Government	16,195,333	10.1%	18,103,090	10.6%	11.8%
Public Safety	27,988,234	17.5%	28,274,656	16.6%	1.0%
Public Works	2,048,947	1.3%	2,335,602	1.4%	14.0%
Health & Welfare	60,710,345	38.0%	58,548,699	34.4%	-3.6%
Culture & Recreation	6,744,782	4.2%	8,661,331	5.1%	28.4%
Community & Economic Development	709,558	0.4%	785,841	0.5%	10.8%
Other	813,186	0.5%	760,500	0.4%	-6.5%
Capital Projects	9,605,352	6.0%	12,831,971	7.5%	33.6%
Debt Service	2,977,797	1.9%	3,525,923	2.1%	18.4%
Operating Transfers Out	17,992,840	11.2%	21,342,724	12.5%	18.6%
Total Expenditures	<u>\$160,163,117</u>	<u>100.0%</u>	<u>\$170,260,458</u>	<u>100.0%</u>	<u>6.3%</u>

Legislative expenditures are decreasing due to one-time expenditures in 2007. Specifically, the County expended \$67,000 for a management study for Community Mental Health.

Judicial expenditures are increasing 6 percent. Indirect cost expenditures in the District Court increased significantly as discussed under Charges for Services revenue. In addition, the implementation of the imaging system has resulted in higher data processing costs for all of the courts. The remaining increase is spread across all judicial functions and accounts.

General Government expenditures are primarily accounted for in the General Fund, and are increasing nearly 12 percent. The County has chosen to accelerate its Survey and Remonumentation program and will spend \$783,000 (\$523,000 more than in 2007) to set geographic positioning coordinates for nine townships in 2008. The remaining townships are planned for 2009, and expenditures should fall in 2010. In addition, 2008 is a presidential election year, and this is anticipated to add \$264,000 to 2008 expenditures.

The County Clerk budget is \$179,000 higher in 2008 due primarily to the increase in data processing charges stemming from the implementation of the court imaging project (the Clerk keeps the records for the Circuit Court). The 2008 budget also includes \$125,000 for an aerial flyover of the County for County maps. Last, 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. A small portion of these increased costs will be realized in 2008. As a result, the budget for facilities and maintenance is increasing by \$233,000 for the expansion and other increases. The remaining increase in general government expenditures is spread across several departments.

Public Safety expenditures, representing 16.6 percent of total expenditures, are increasing just 1 percent in total. However, the 2007 Budget includes approximately \$950,000 in Homeland Security grants that are not on-going. Factoring this out, expenditures are increasing by 5.1 percent. This increase is spread across several public safety functions.

Health and Welfare expenditures, representing approximately 34 percent of total expenditures, has significant variances in four areas:

<u>Fund</u>	<u>Change from 2007</u>
Health	\$438,000
Mental Health	(397,000)
Workforce Investment Act funds	(1,790,000)
Child Care	(382,000)

2008 Public Health expenditures include \$305,000 for new software. Mental Health client care expenditures are decreasing due to budgetary issues. As discussed previously under intergovernmental revenue, budgets for several of the Workforce Investment Act grants are lower pending grant notification. Expenditures for the Child Care Fund are decreasing by 4.3 percent or \$382,000. The 2007 Budget includes \$460,000 for the information technology initiative discussed earlier.

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. The 2007 capital outlay budget is \$4.7 million and reflects several park improvement projects.

Capital Projects expenditures vary depending on the scope of projects undertaken. 2007 expenditures include beginning construction on the Fillmore/Grand Haven project which will start in the fall of 2007. The 2008 expenditure budget reflects the continuation of the project and a full year of construction costs.

Debt Service expenditures are increasing with the new bond issue for the Fillmore/Grand Haven project. Annual debt service costs are anticipated to be approximately \$750,000 per year.

Operating Transfers Out are increasing because \$8.8 million is being transferred to the Building Authority. However, the change in operating transfers out is smaller because only \$3.4 million is coming from governmental funds in their respective 2008 budgets. Specifically, the transfer from the Health fund is not anticipated before that fund's fiscal year end of 9/30/08. The remaining \$4.1 million is coming from the Telecommunications and Equipment Pool funds (internal service funds).

CHANGES TO 2008 DEPARTMENTAL REQUESTS

Changes to the 2008 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 2008 General Fund budget as proposed by departments included revenues of \$66,392,874 with associated expenditures of \$68,879,542. The major adjustments to the 2008 Budget include:

Revenues:

	<u>Total Adjustment to Department</u>
2008 Budget Proposed by Departments	\$66,392,874
Reflected use of Designated Fund Balance for the Fillmore/Grand Haven project	2,927,000
Decreased Register of Deeds revenue based on current projections	(83,000)
Reduced rent revenue at the Holland Health Facility to reflect that capital outlay will be charged back over time	(78,000)
Other miscellaneous adjustments	<u>(1,165)</u>
Total General Fund Revenues Proposed by Finance and Administration Committee	<u><u>\$69,157,709</u></u>

Expenditures:

2008 Budget Proposed by Departments	\$68,879,542
Reflected transfer out to Building Authority for Fillmore/Grand Haven project	2,927,000
Removed Family Court software development proposal	(480,000)
Reduced operating transfer to Department of Human Services for Parenting Plus program	(442,000)
Reduce fringe benefits budgets to reflect health insurance opt outs	(275,000)
Reduced operating transfer to Public Health to reflect health insurance opt outs	(100,000)
Other miscellaneous adjustments (less than 1% of total expenditures)	<u>(487,819)</u>
Total General Fund Expenditures Proposed by Finance and Administration Committee	<u><u>\$70,021,723</u></u>

SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECTS AND PERMANENT FUNDS

Expenditures in the Public Health Fund (Special Revenue Fund 2210) were increased by \$305,000 for the purchase of new software. However, the operating transfer (revenue budget) was reduced by \$100,000. Because the Health department has several part-time employees, they have significant savings from insurance opt outs. These savings amount to an estimated \$100,000, so the County does not anticipate a fund balance usage.

The expenditure budget in the Public Improvement Fund (Special Revenue Fund 2450) was reduced by \$5.5 million. The department head amount reflected the operating transfer to the Building Authority – Capital Projects planned in connection with the Fillmore/Grand Haven project. However, as building plans developed during the budget process, it was determined that the transfer would not be needed until 2009.

Certain Workforce Investment Act Funds were increased from the original departmental request upon notification of grant approvals. Expenditures in the Department of Human Services fund (2900) were reduced by \$429,000, mainly due to the re-tooling of the Parenting Plus program discussed earlier.

Expenditures in the Child Care Fund were decreased by \$658,000. The budget was reduced by \$455,000 to reflect the removal of the software enhancement proposal. In addition, the Juvenile Community Justice program was reduced by \$134,000 based on revised expenditure projections. Revenue was adjusted accordingly to reflect the corresponding change in State funding from the increases and various other adjustments.

The remaining funds had no significant changes made to 2008 Budget requests.

CONCLUSION

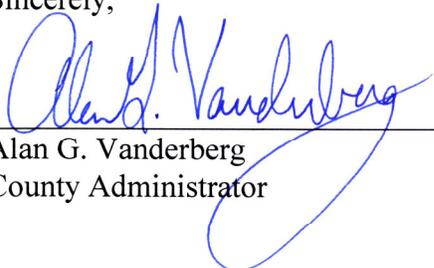
Many municipalities focus on short-term issues and concerns. Ottawa County, through its Strategic Plan and financing tools, has placed itself at the forefront by creating long-term strategies to address space needs, provide for equipment replacement, resolve insurance issues, meet human resource needs, 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 2008, the financing tools allow the County to maintain the operating tax millage to 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.

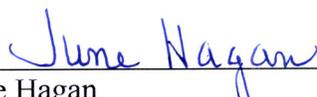
In 2005, the County projected future operational deficits over the next five years and began to formulate plans to eliminate them. The operating deficit is occurring at a time when Ottawa County remains one of the fastest growing counties in Michigan and has an increasing need for vital services. The County must also keep pace with technology demands in order to improve efficiency and to deliver quality services to the public. The fiscal year 2008 Budget reflects the implementation of several of the strategies identified to address the deficit. In all, the 2008 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 2006 and 2007 and will continue to be addressed as on-going objectives in the 2008 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, 2007. This was the twelfth 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, 2007

President

Executive Director

2008 ORGANIZATIONAL CHART

