

User's Reference Guide

Overview

The User's Reference Guide provides assistance in using the County of Ottawa 2013 Budget document. Its primary goal is to enhance the readability of the budget document and to increase its effectiveness as a communication device between the county and its citizens. In this section, commonly asked questions are answered under a variety of headings including:

<u>Guide to the Document</u>	<u>Page</u>
- What information is contained in each section?	39 - 40
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Information Contained In Budget Document

Summary Information

The summary information section contains the following:

- Budget summary of all governmental funds by fund type.
- Summaries by fund of prior year actual, current year estimated, and the 2013 budgeted amounts for revenues and expenditures (by revenue/expenditure type) for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Funds and Permanent funds. (These schedules are required under Public Act 621, Public Acts of Michigan).
- Budget Summaries by fund of the projected 2012 ending fund balance, 2013 budgeted revenues/other financing sources, 2013 budgeted expenses/other financing uses, and the projected 2013 ending fund balance for enterprise and internal service funds. Under Public Act 621, these funds are non-budgeted funds; accordingly, their budgets are presented in summary form only.
- Budget statements for discretely presented component units of the County: Ottawa County Road Commission, Ottawa County Public Utilities System, Ottawa County Drain Commission, and the Ottawa County Central Dispatch Authority.

Revenue Sources

The revenue sources section contains descriptions of the major revenue sources of the county. Following these descriptions are graphical illustrations of trends in select county revenue sources.

General Fund

The largest portion of the budget book is dedicated to the detail of the General Fund. The detail sections of the budget book include a variety of information. Most departments start with a function statement which describes the activities carried out by the department. Following the function statement are the department goals and objectives. The performance and activity measures follow; some of these speak to quality and efficiency, others to activity level. Both are important measures because performance measures identify areas for needed improvement and activity measures identify concerns for the allocation of future resources. Activity measures show, for example, which departments are likely to need additional personnel and equipment in the future. If a department has full-time equivalents assigned to it, a position and salary schedule is included which details the employee classifications, full-time equivalency, and the salary calculations included in the 2013 budget.

The Board of Commissioners adopts the budget by department which is the legal level of control. The budget detail for all funds provides a history of revenue and expenditure information. Actual revenues and expenditures by classification are included for 2009, 2010, and 2011. Projected revenues and expenditures are included for 2012. Finally, the 2013 Adopted budget is the last column provided in the detail information. Special Revenue, Debt Service, Capital Projects, and Permanent Funds

Information included for these funds is similar to information reported for the General Fund. However, revenues and expenditures are recorded by classification totals by fund for most funds.

Appendix

The appendix section contains six sections:

Section I: Resolution approving the 2013 budget

Section II: Summary of the 2013 budget by individual fund for all governmental fund types

Section III: Financial projections for the Financing Tools funds

Section IV: History of positions in the County including 2011, 2012, and budgeted 2013

Section V: General information about Ottawa County

Section VI: Financial Policies of the County

Section VII: Glossary of budget and finance terms to assist the reader through the more technical areas of the document

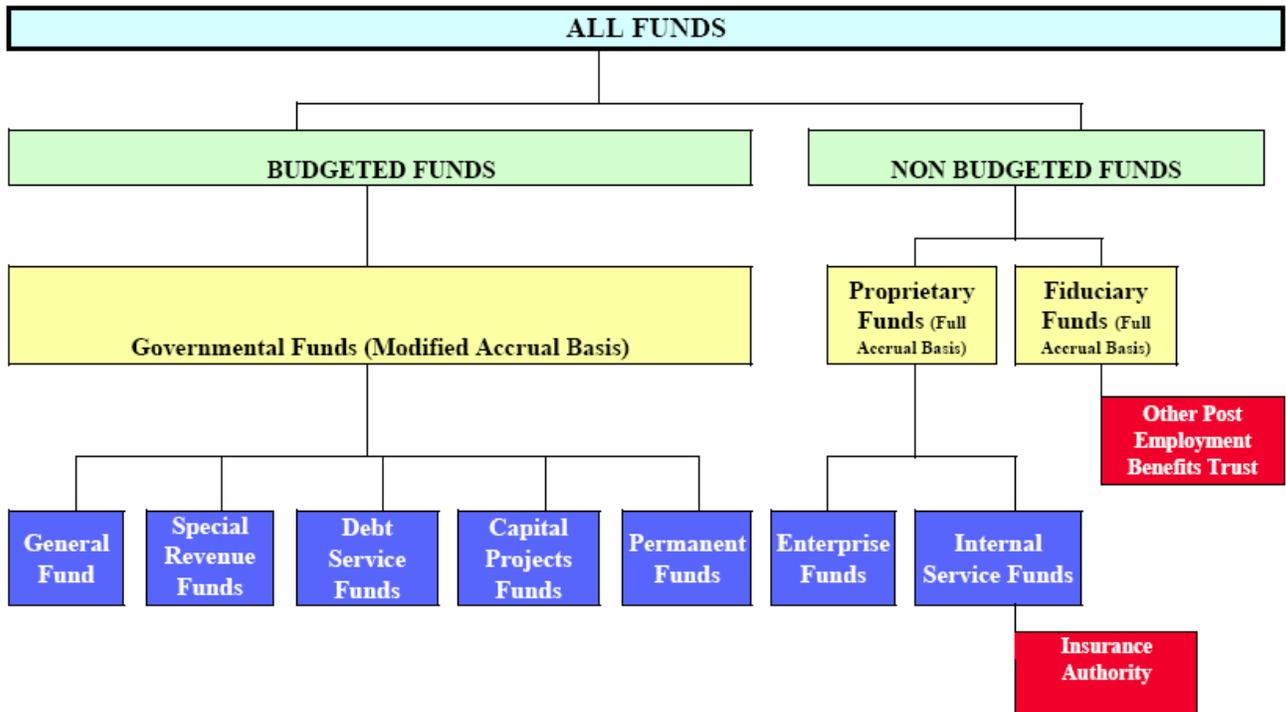
An Index is provided at the very end of the document.

Ottawa County Fund Structure

Ottawa County maintains its fund structure in accordance with the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. The County is required to use a modified accrual basis of accounting for governmental fund types, and accrual accounting for proprietary fund types. Under the modified accrual basis of accounting, amounts are recognized as revenues when earned, only so long as they are collectible within the current period or soon enough afterwards to be used to pay liabilities of the current period. Expenditures are recognized only when payment is due. The emphasis here is on near-term inflows and outflows. Under accrual accounting, revenues and expenditures are recognized as soon as they are earned or incurred, regardless of the timing of the related cash flows.

Budget Basis

Under Public Act 621, the County is only required to budget for the General Fund and Special Revenue funds. The County chooses to formally adopt budgets for all governmental funds. Public Act 621 also requires Michigan municipalities to budget under the same basis required for financial reporting. Accordingly, the County budgets governmental fund types under a modified accrual basis.



Although proprietary funds are not formally adopted, summary information is provided based on a full accrual basis (see summary information section). The Comprehensive Annual Financial Report includes fiduciary fund types in addition to those previously mentioned. However, most fiduciary fund types have only asset and liability accounts. Since the County budgets for revenues and expenditures, no budgetary information is presented for the fiduciary funds.

Governmental Funds:

The County has four major funds. The General Fund is always a major fund. In addition, funds whose revenues, expenditures, assets, or liabilities are at least 10 percent of the total for governmental funds and at least 5 percent of the total for governmental funds and enterprise funds combined are considered major funds. A municipality may also designate a fund as major even if it does not meet the size criteria. In addition to the General Fund, Parks and Recreation, Health, and the Mental Health funds, all special revenues funds, are major funds of the County.

General Fund - The General Fund is used to account for all revenues and expenditures applicable to general operations of the county except for those required or determined to be more appropriately accounted for in another fund. Revenues are derived primarily from property tax and intergovernmental revenues.

Special Revenue Funds - Special Revenue Funds are used to account for revenue from specific revenue sources (other than expendable trusts or major capital projects) and related expenditures which are restricted for specific purposes by administrative action or law.

Debt Services Funds - Debt Service Funds are used to account for the financing of principal and interest payments on long-term debt.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities.

Permanent Funds - Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purposes that support the programs.

Proprietary Funds:

Enterprise Funds – Enterprise funds are established to account for business-type activities provided to users outside of the Agency. Enterprise funds are designed to cover the costs of the services provided through the fees charged.

Internal Service Funds - Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies for the governmental unit, or to other governmental units, on a cost-reimbursement basis. The County has several Internal Services Funds.

The matrix below provides a clearer understanding of how the funds and the government functions relate.

County of Ottawa
Cross Reference Chart by Function and Fund Type

Function	General Fund (Major Fund)	Major Special Revenue Funds	Non-Major Special Revenue Funds	Non-Major Debt Service Funds	Non-Major Capital Projects Funds	Non-Major Permanent Funds	Proprietary Funds	Component Units
Page Number								
Legislative:	151							
Judicial:	154							
Circuit Court	155							
District Court	157							
Probate Court	161							
Juvenile Services	164							
Friend of the Court/ Child Support Enforcement			269					
Community Corrections			332					
General Government:								
Fiscal Services	174							
Corporate Counsel	177							
Clerk/Elections	170/180							
Administrator	183							
Equalization	186							
Human Resources	190							
Prosecutor:								
Prosecution	195							
Crime Victim's Rights			315					
Stabilization			314					
Information Technology							129	
Self-Insurance							129	
Telecommunications							129	
Equipment Pool							129	
Register of Deeds	198		313					
Treasurer	203		312					
Delinquent Tax Revolving Revenue Sharing Reserve							129	
MSU Extension	206							
GIS	209							
Facilities and Maintenance	213							
Drain Commission	216							130
Public Safety:								
Sheriff:								
Road Patrol	220		318/319					

County of Ottawa
Cross Reference Chart by Function and Fund Type

Function	General Fund (Major Fund)	Major Special Revenue Funds	Non-Major Special Revenue Funds	Non-Major Debt Service Funds	Non-Major Capital Projects Funds	Non-Major Permanent Funds	Proprietary Funds	Component Units
	Page Number							
Public Safety (continued):								
Investigations	220							
Administration	220							
Records	220							
Drug Enforcement	223							
Community Policing			318					
Jail/Corrections	230							
Marine Safety	228							
Emergency Services	233							
Animal Control	237							
Dispatch/911	227							130
Public Works:								
Solid Waste Planning			303/304					
Water, Sewer, & Drainage								130
Roads								130
Health & Welfare:								
Health Services		272						
Mental Health		294						
Job Training			321					
Juvenile Detention/Foster Care			338					
Substance Abuse	243							
Department of Human Services			337					
Department of Veteran's Affairs	245		342/343					
Culture & Recreation								
Parks		265						
Community & Economic Development	249							
Planning	249		307-310					
Debt Service								
Building Authority Bonds				346				
Water and Sewer Bonds								130/351
Capital Construction								
Public Improvement	311							
Capital Projects					352			
Other:								
Cemetery Trust						364		

The Budget Process

The County adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act which mandates an annual budget process and an annual appropriation act to implement the budget. Under State of Michigan law, the county must have a balanced budget in that revenues and fund balance will accommodate expenditures.

The County's general fund and all non-grant funds have a fiscal year end of 12/31. In an effort to simplify grant reporting, the County also maintains grant funds with 3/31, 6/30, and 9/30 fiscal year ends. However, all funds go through the budget process together.

Budgets for the succeeding fiscal year are presented to the County Administrator for review each year in late June. During July and August, the Fiscal Services Director and Administrator meet with the various department heads and elected officials submitting budgets to discuss the content and revenue/expenditure levels contained in their budgets. The Administrator submits a balanced budget to the Finance Committee of the County Board of Commissioners in September. Elected officials also have the opportunity to meet with the Board of Commissioners to appeal any decision. After the last Board meeting in September or the first Board meeting in October, a public notice is placed in the newspapers informing citizens of the upcoming budget hearing and adoption. At this point, a summary copy of the budget is available to citizens. A public hearing is held in October to provide any County resident the opportunity to discuss the budget with the Board and is required under State of Michigan law. The Finance Committee then makes a budget recommendation to the County Board of Commissioners in October. The budget, and an appropriation ordinance implementing it, is then adopted at the last meeting in October. A separate budget report is then made available to the public. The schedule below details the annual budget process by date and activity.

Amending the Budget

Budgets for the current year are continually reviewed for any required revisions of original estimates. Proposed increases or reductions in appropriations in excess of \$50,000, involving multiple funds, or any amendment resulting in a net change to revenues or expenditures are presented to the Board for action. Transfers that are \$50,000 or less, within a single fund, and do not result in a net change to revenues or expenditures may be approved by the County Administrator and Fiscal Services Director. Budget adjustments will not be made after a fund's fiscal year end except where permitted by grant agreements. All budget appropriations lapse at the end of each fiscal year unless specific Board action is taken.

County of Ottawa 2013 Budget Calendar

March 1, 2012	Equipment and Personnel Request Forms sent to department heads.
March 31, 2012	Department requests for 2013 equipment requests should all be submitted through the equipment requisition process Personnel requests for 2013 should be submitted to Fiscal Services
April 1, 2012	Performance Measures sent to department heads for updating
April 30, 2012	Performance Measures returned to Planning and Performance Improvement for review
May 8, 2012	Board approves the Resolutions of Intent to Increase Millage Rate. <i>The County operating levy under consideration is for the 2012 levy and 2012 budget year. The 911 and Parks levies under consideration are for the 2012 levy and the 2013 budget year</i> Board reviews Truth-in-Taxation Calculation, the Resolutions of Intent to Increase Millage Rate and sets the date for public hearing (if necessary).
May 15, 2012	Finance Committee approves the Resolutions to Approve the Millage Rate and forwards them to the Board
May 16, 2012	Deadline for the publication of the public hearing notice on the 2012 tax levy
May 21, 2012	2013 Budget information session to be held in conjunction with the management meeting. (Packets to be distributed later in the day on the 21 st).
May 21, 2012- June 8, 2012	Fiscal Services Department available to provide any needed assistance in completing budget documents
May 22, 2012	Board holds public hearing and approves the 2012 millage rates
June 8, 2012	Departments submit completed budget requests and narratives to the Fiscal Services Department.

- June 8, 2012 - July 31, 2012 Fiscal Services Department summarizes budgets and prepares documents for Administrative review.
- July 16, 2012 - August 10, 2012 Administration meets with Department Heads in preparation of a proposed budget.
- September 18, 2012 Finance Committee review of the total 2013 budget and approval of the resolutions regarding the Distribution of the Convention Facility Tax and Distribution of the Cigarette Tax.;
- Deadline for publication of the public hearing notice on the 2013 Community Mental Health budget
- September 24, 2012 Community Mental Health board holds the public hearing for the Mental Health budget and adopts the budget
- September 26, 2012 Board approves the resolutions regarding the Distribution of the Convention Facility Tax and Distribution of the Cigarette Tax and approves the Salary and Fringe Benefit Adjustments. Board sets the date for the public hearing on the County Budget for October 9, 2012
- October 3, 2012 Deadline for the publication of the public hearing notice on the 2013 budget
- October 9, 2012 Board holds the public hearing on the budget and receives the formal Budget Presentation.
- October 16, 2012 Finance Committee reviews Resolution to Approve 2013 County Budget, Insurance Authority Budget and the Apportionment Report
- October 23, 2012 Board adopts the 2013 County Budget, the Insurance Authority Budget and the Apportionment Report and approves the Salary and Fringe Benefit Adjustments

County of Ottawa Budget Related Financial Policies

All of the County's financial policies are included in the appendix of this document. Policies that impact the annual budget process are reflected in the table that follows:

Policy	Principle	Effect on Budget
Revenue and Expenditure	Levy less tax than the legal maximum	3.6 mills is budgeted out of 4.265 mills - \$6.1 million
	Funding of long-term liabilities	2013 budget includes the full annual required contribution for other post employment benefits and pension benefits
	Use of technology to lower costs	2013 budget includes funds for the expansion of services available on the County Web page
Operating Budget Policy	Contingency should be budgeted at not less than .5% and not more than 2% of the General Fund's expenditures for the most recently completed audit	The 2013 budget includes \$524,970 for contingencies which is .87% of 2011 audited General Fund expenditures
	Balancing the budget	No fund shows a deficit in 2013
	Budget Basis	2013 governmental funds are budgeted on a modified accrual basis, and proprietary funds are budgeted on a full accrual basis
	Budget Calendar	The 2013 budget process adhered to the budget calendar
Performance Measurement Policy	Performance measures will be incorporated into the annual budget process	Major departments include performance measures with their presentation
Accounting, Auditing and Financial Reporting	Financial reports will be furnished to the Board of Commissioners to aid them in assessing the financial condition of the County	The 2013 budget presentation (and document) include 5 year projections for the General fund
Capital Asset Policy	Capital Assets are budgeted out of the Equipment Pool and included in the budget approved by the Board of Commissioners	The 2013 budget includes equipment requests of \$2.3 million out of the Equipment Pool
Debt Management Policy	Debt will not be issued to finance current, on-going operations	The 2013 revenue sources budget includes no debt for operations

Policy	Principle	Effect on Budget
Fund Balance Policy	Minimum Fund Balance	The projected fund balance of the General Fund at 12/31/13 will be at least 10% of the most recently audited General Fund expenditures and transfers.

The County Millage Levy

The citizens of Ottawa County enjoy one of the lowest county millage levies in the State of Michigan. The allocated millage for county operations is 4.44 mills. In 1989, the citizens voted to approve a .5 mill levy for the operation of the E-911 Central Dispatch operation; and in 1996, a .33 mill levy was approved for Park Development, Expansion, and Maintenance, and was renewed for an additional 10 years in August of 2006.

All of these levies are affected by two legislative acts. In 1978, the Tax Limitation Amendment (also known as the Headlee Rollback) was passed. This legislation requires that the maximum authorized tax rate in a jurisdiction must be rolled back if the total value of existing taxable property in a local jurisdiction increases faster than the U.S. Consumer Price Index. The result of this legislation is a reduction in the County operating levy from 4.44 mills to 4.2650 mills; this represents decreased revenue of approximately \$1.63 million. The Board of Commissioners opted to reduce the levy further to 3.600 mills. This resulted in an additional \$6.2 *million* decrease in revenue for operating purposes. In addition, the Headlee Rollback legislation also resulted in a reduction in the levy for E-911 Central Dispatch from .5 mills to .4400 mills; this represents decreased revenue of approximately \$559,000. The Parks levy was also reduced slightly by Headlee from .33 mills to .3165 mills - a decrease of just over \$126,000.

Truth in Taxation (Act 5 of 1982) holds that any increase in the total value of existing taxable property in a taxing unit must be offset by a corresponding decrease in the tax rate actually levied so that the tax yield does not increase from one year to the next. This rollback can be reversed if the taxing unit holds a public hearing (notice of which must be made public 6 days in advance of the hearing), and the governing body votes to reverse this rollback. The Ottawa County Board of Commissioners holds a public hearing in May of each year to meet the requirements of this legislation if the reversal of a rollback is required.

History of Ottawa County Tax Levies

The table that follows is a ten year history of Ottawa County tax levies. The chart clearly illustrates the effect of the Headlee rollback on county levies.

Tax Levy History

<u>Levy Year</u>	<u>Budget Year (1)</u>	<u>County Operation</u>	<u>E-911</u>	<u>Parks</u>	<u>Total</u>
2004	2005	3.5000	.4419	.3174	4.2593
2005	2006	3.5000	.4411	.3168	4.2579
2006	2007		.4407	.3165	4.2572
2007	2007	3.6000	.4407	.3165	4.3572
2007	2008		.4407	.3165	4.3572
2008	2008	3.6000	.4407	.3165	4.3572
2008	2009		.4407	.3165	4.3572
2009	2009	3.6000	.4407	.3165	4.3572
2009	2010		.4400	.3165	4.3565
2010	2010	3.6000	.4400	.3165	4.3565
2010	2011		.4400	.3165	4.3565
2011	2011	3.6000	.4400	.3165	4.3565
2011	2012		.4400	.3165	4.3565
2012	2012	3.6000	.4400	.3165	4.3565
2012	2013		.4400	.3165	4.3565
2013	2013	3.6000	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>

(1) Over a three year period, the County operations levy was moved from December to July as a result of State mandates. Consequently, for County operations, the levy will be during the year for which the tax revenue is covering expenditures. For the other two levies, E-911 and Parks, the levy is made in December of the year preceding the budget year.

Calculation of Property Taxes

The table that follows is an illustration of how the County tax is calculated for a residential property owner:

<u>Market Value of Property</u>	<u>Taxable Value*</u>	<u>Operations Tax Levy Rate</u>	<u>Estimated County Tax</u>	<u>E-911 and Parks Tax Levy Rate</u>	<u>Estimated E-911 and Parks Tax</u>	<u>Total County Tax</u>
\$ 75,000	37,500	.0036000	\$135.00	.0007565	\$28.37	\$163.37
\$100,000	50,000	.0036000	\$180.00	.0007565	\$37.83	\$217.83
\$150,000	75,000	.0036000	\$270.00	.0007565	\$56.74	\$326.74
\$200,000	100,000	.0036000	\$360.00	.0007565	\$75.65	\$435.65

* In Michigan, Taxable Value is generally equal to 50% of the market value on primary residences.

Comparison of Tax Levies of Other Michigan Counties

2012 Operating Millage Levies of Neighboring Counties:

Allegan	4.6377
Muskegon	5.6984
Kent	4.2803
Ottawa	3.6000

Counties of Similar Size:

<u>County</u>	<u>2012 Taxable Valuation</u>	<u>Operating Millage Levy</u>
Kalamazoo	\$7,902,294,649	4.6871
Ingham	7,026,714,409	6.3512
Ottawa	9,316,153,677	3.6000
Genesee	8,805,229,871	5.5072
Washtenaw	13,975,122,118	4.5493

Highest 2010 Allocated and Voted Levy:

Baraga	14.27
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Lowest 2010 Allocated and Voted Levy:

Livingston	3.95
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Services Provided

New Positions Approved with the 2013 Budget

Although the positions funded by the General Fund are decreasing overall, certain departments received new positions based on service demands and grant dollars. The table that follows lists all of the approved changes.

County of Ottawa 2013 Approved Position Requests

<u>Department</u>	<u>Description</u>	<u>Personnel Costs</u>
Legal Self-Help Center	Director - Legal Self Help Center	\$76,389
Register of Deeds	Administrative Assistant - reclassification	\$5,804
Administration / Parks	Countywide Marketing and Communications Manager	\$68,155
Mental Health	3 - Mental Health Clerks	\$71,430
Parks & Recreation	Maintenance Worker - Group T - T9	\$48,786
Facilities Maintenance	2 - Facility Tech - reclassification	\$8,800
		<u>\$279,364</u>

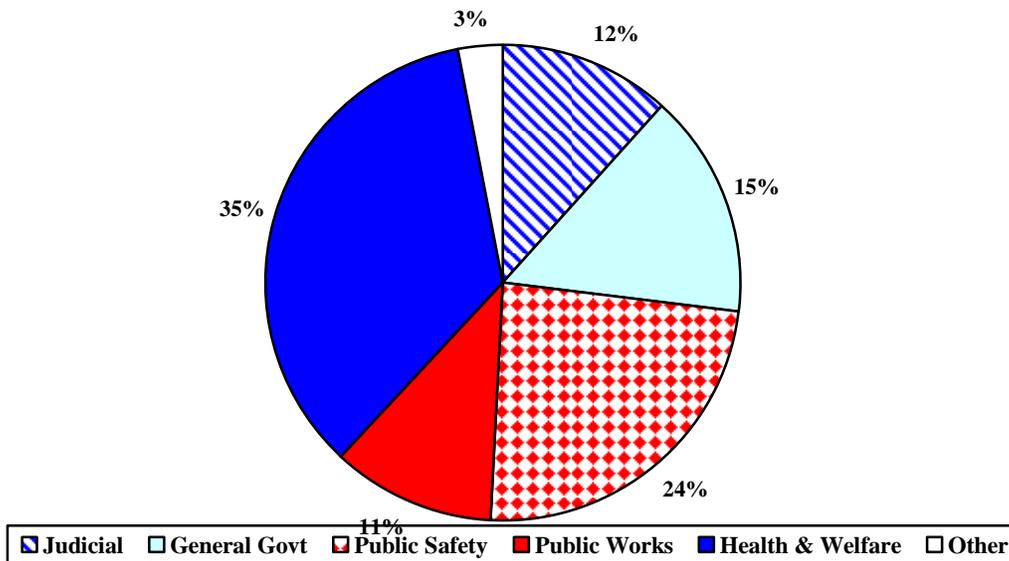
County of Ottawa 2013 Approved Position Requests

Department	Description	Personnel Costs
Temporary (Unbenefitted) Position Requests		
2 % increase for the following unbenefitted Sheriff positions:		
Sheriff	Part-time Road Patrol/Corrections Deputy	
Sheriff	Reserve/Marine Deputy	
Sheriff	Mounted/Reserve Deputy (with horse use)	
Sheriff	Cadet	
Sheriff	Scientific Support Specialist	
Sheriff	Records Processing Clerk	\$7,707
District Court	On Call Magistrate	\$500
Register of Deeds	Data Entry Clerk - 2.5 FTE-Manpower	\$48,610
Health - Hearing/Vision	General Office Clerk	\$2,933
Health - Healthy Children's Contra	Dental Assistant	\$4,524
Parks & Recreation	Dog Beach Park Attendant	\$3,661
Facilities Maintenance	Intern	\$8,000
		\$75,935

Personnel by Function

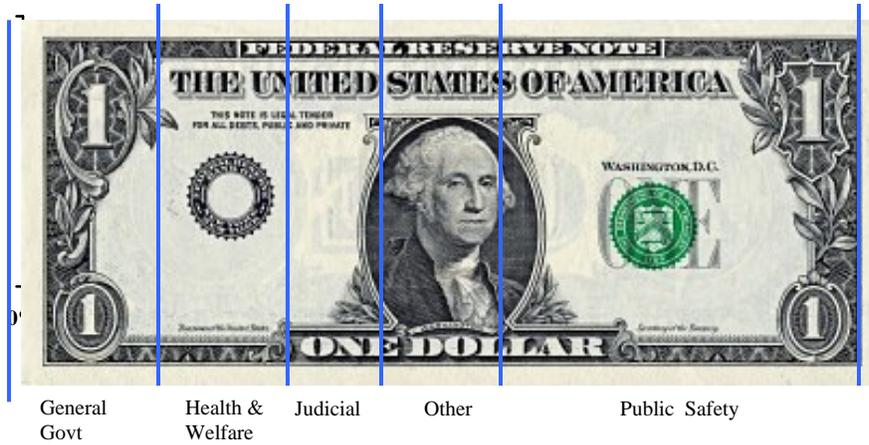
Health and Welfare functions employ the greatest number of employees. Several of these employees are paid by grant funds. The graph that follows includes employees of the County's component units.

Total County Personnel by Function



Services Provided by County Tax Dollar

The preceding graph shows the functions performed by all County staff. However, many of these positions are funded by grant dollars. The graph that follows shows the service areas that are funded by the County tax dollar:



Financial Outlook

General Fund Five Year Budget Projections

Overview

The County of Ottawa Strategic Plan of 1993 promoted multi-year projections as a tool to prioritize immediate and long-range needs to develop a stable financial base. Subsequent strategic plans and updates have confirmed the necessity of this process. Budget projections are useful for planning purposes to give the general direction of County finances based on trends. However, it is important to realize that the figures projected are based on trends and pertinent information known at the time and are not guaranteed funding levels as several factors (e.g. legislation, economy, population, etc.) affect funding. The historical trend of expenditures is a good starting point as most of the County’s costs, especially in the General Fund, are ongoing; projections were formulated based on the following assumptions:

Revenues

Property Tax – The County believes the housing market has bottomed out. However, it will take several years for the taxable value to recover due to Proposal A of 1994 which limits the amount the taxable value can increase in a given year. Based on the most recent trend data available the County is projecting the following changes in taxable value:

	2014	2015	2016	2017	2018
Taxable Value Assumption	1.5%	2.0%	2.0%	2.0%	2.0%

Intergovernmental Revenue – The County has seen many State funding sources stay flat over recent years. Consequently, the County is using a 0% increase for most intergovernmental sources.

Charges for Services – Charges for Services are also a significant revenue source. The County is projecting this revenue source to increase by 2% per year.

Investment Income – Since Investment Income depends in part on the investment environment, it is difficult to make projections. The County anticipates return rates to remain quite low. The County's cash balance has also declined due to contributions to capital construction projects, higher delinquent tax payouts, and fund balance use for operations. These changes have been factored into the projections.

Rental Income – Rent revenue is based on actual expenditures in the specific building cost center (variable portion) as well as certain fixed charges. Revenue shows a decrease in 2015 and more prominently in 2016 as most of the fixed charges of the Probate Court/Jail facility expire.

Operating Transfers In – Projections for transfers in to the General fund for subsequent years reflect the same one-time transfers to assist in balancing the General Fund as the 2013 budgets. Analysis has been completed to ensure the sources identified can contribute these amounts without unacceptable repercussions.

Other Revenues – The remaining revenue sources were increased 2% – 3% per year.

Expenditures

Salaries – County employees generally receive a cost of living adjustment which may be based on the consumer price index and available funds. Newer employees also receive step increases for five years. After the five years, the employees receive only the cost of living adjustment. To cover both the cost of living adjustment and the step increases, the projections increase salaries by 1.6% to 2.6% per year.

Since 2010, several departments agreed to keep certain positions vacant to assist in budget balancing. These positions have not been included in the 2012 budget nor the five year projections, and no new positions have been added to the projections. In addition, the 2012 budget reflects approximately \$300,000 in vacancies. Historically, vacancies have been higher, so future projections reflect an additional \$217,500 in vacancies.

Fringe Benefits – Certain fringe benefits, the largest being social security tax and retirement contributions, are based on salaries. Based on salary projections, these fringe benefits are also projected to increase by 1.6% to 2.6% per year. With regard to retirement contributions, it is difficult to determine the cost of Governmental Accounting Standards Board (GASB) statements 67 and 68. Further complicating the estimate is the change in retirement plans from defined benefit to defined contribution for new hires effective 1/1/12. Although some funds have been set aside in the DB/DC Conversion fund, it is unclear what increases the County can expect. In addition, although the GASB does not set required funding levels, many of the provisions of statements 67 and 68 are

expected to increase the contributions of all government entities. As a result, the estimate for retirement is increasing 10% per year for 2014 – 2018.

Other fringe benefits for health, dental and optical insurance are not based on salaries. The County is estimating a 25% with its health insurance in 2014, 15% for 2015, and 10% per year for 2016 – 2018. The increased is based on conversations with other municipalities and the County’s insurance provider’s original increase for 2013. It is important to note that these increases do not reflect changes in the benefit levels which are likely if the County realizes these projected increases. The County assumes a 10% increase for dental insurance in 2014 and an 8% increase per year for 2015-2018. Optical insurance reflects a 6% increase per year. The County is implementing a health management program, but determining the impact on costs, particularly within a five year window, is difficult. Consequently, no impact is included in these projections. The effect, if any, of the national health care program is not reflected in the projections as the information available is not sufficient to estimate it.

Supplies and Other Services and Charges – In most cases, these expenditures are projected to increase by 2% per year. However, certain adjustments have been made. Liability and vehicle insurance are projected to increase 3% - 5% per year. Utilities are projected to increase 5% per year. The County has significantly invested in energy saving equipment for County facilities in connection with a federal Energy Assistance grant, but actual cost savings are difficult to project and have not been included in the projection. However, adjustments have been made to reflect election costs in election years and other situations needing special handling.

Operating Transfers Out - In general, Operating Transfers reflect the County (local) portion of programs funded by the State and Federal government. For the major recipients of General Fund transfers, a complete analysis like the one done for the General Fund has been completed to determine the projected transfer. These funds include the following:

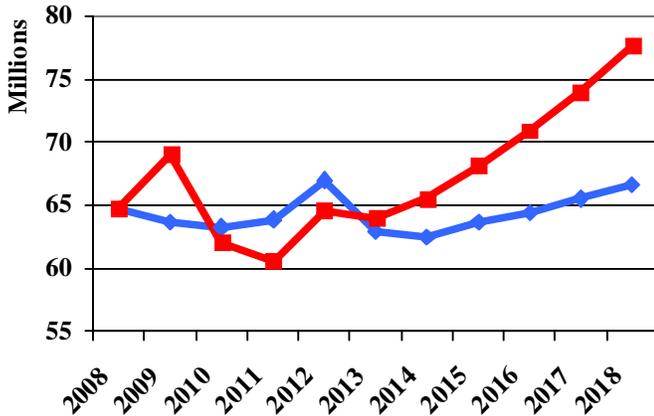
Health (2210)	Friend of the Court (2160)
Child Care (2920)	Community Corrections (2850)

Contingency – The County’s financial policy suggests a contingency amount of .5% - 2% of the most recently audited General Fund expenditures. Consequently, the projections show contingency of .5% for 2014 – 2018.

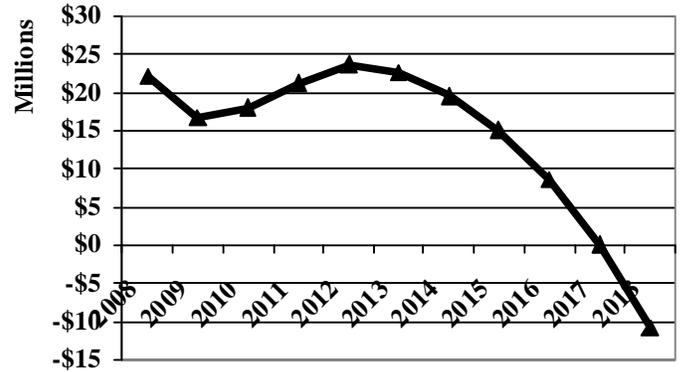
Results



General Fund Revenues and Expenditures



Fund Balance - General Fund



The graphs above show an increasing gap between revenue and expenditures that widens to as much as \$10.9 million and total fund balance shows a deficit by 2018 if revenue and expenditure assumptions prove true and no additional changes are made to operations. Several other options and combinations of options exist and will be explored for consideration by the Board of Commissioners. The Board is committed to maintaining or improving the financial status of the County.

Response

Revised Five Year Deficit Reduction Plan

Currently, Administration is developing a new five-year deficit reduction plan to address the current projections. Specific strategies include:

- Continue a General Fund hiring freeze for new, full-time positions that result in a net increase in cost for the General Fund. Consideration will be given for positions that have an impact on service delivery. A review and analysis of need will be completed prior to filling vacant positions.
- Maintain five-year projections with variables such as revenue sharing, commodity cost, millage rates, and funding sources to strategically determine the most fiscally responsible plan for millage increases and expenditure reductions.
- Continue program evaluations to determine the costs and benefits provided by programs as a basis for the possible elimination or restructuring of programs that are not performing effectively and efficiently.

- Complete the implementation of a defined contribution benefit for new hires in bargaining units to replace the current defined benefit retirement system.
- Annual review of health insurance plan for appropriate changes.
- Review and analysis of other fringe benefit costs.
- Implementation of the Continuous Improvement/Lean Government initiative to improve efficiency in all County departments as part of the County's 4C initiative that also includes Customer Service, Communication, and Cultural Diversity.
- Secure funding for technological advances that will create efficiencies and reduce future costs.
- Comprehensive analysis of services provided by the County's departments and outside agencies to eliminate redundancy of services provided.
- Performance measurements and ranking of mandated and discretionary services will be used in the analysis of programs for possible budgetary reductions.
- Implementation of the budget principals approved by the Board of Commissioners to guide budget decisions.

**County of Ottawa
Five Year Budget Projections
General Fund**

	2012 Estimated	2013 Budgeted	2014 Projected	2015 Projected	2016 Projected	2017 Projected	2018 Projected
Projected change in State Revenue Sharing:			0.0%	0.0%	0.0%	0.0%	0.0%
Projected change in taxable value:			1.5%	2.0%	2.0%	2.0%	2.0%
Revenues:							
Taxes	\$37,726,923	\$37,767,396	\$38,295,430	\$39,039,250	\$39,741,496	\$40,536,327	\$41,347,054
Intergovernmental	\$7,057,186	\$7,063,075	\$7,057,108	\$7,058,261	\$7,059,449	\$7,060,672	\$7,061,932
Charges for services	\$13,179,232	\$12,523,086	\$12,118,951	\$12,361,330	\$12,608,556	\$12,860,727	\$13,117,942
Fines & Forfeits	\$72,600	\$75,600	\$76,942	\$78,311	\$79,707	\$81,131	\$82,584
Interest on investments	\$284,450	\$290,004	\$128,700	\$410,000	\$400,800	\$408,320	\$359,120
Rental income	\$3,000,712	\$3,160,450	\$3,017,524	\$2,940,780	\$2,706,582	\$2,797,300	\$2,897,207
Licenses & permits	\$344,000	\$281,300	\$278,690	\$279,128	\$275,524	\$276,061	\$273,558
Other	\$468,749	\$419,316	\$410,370	\$412,780	\$415,239	\$417,747	\$420,306
Operating transfer in	\$1,136,977	\$1,170,937	\$1,125,000	\$1,125,000	\$1,128,885	\$1,128,885	\$1,128,885
Fund balance reserve use	\$3,715,146	\$196,821	-\$38,179	-\$38,179	-\$38,179	-\$38,179	-\$38,179
Total Revenue	\$66,985,975	\$62,947,985	\$62,470,536	\$63,666,661	\$64,378,060	\$65,528,992	\$66,650,408
% change over prior year	4.90%	-6.00%	-0.80%	1.90%	1.10%	1.80%	1.70%
Expenditures:							
Salaries	\$20,656,189	\$21,030,046	\$21,356,828	\$21,804,965	\$22,371,453	\$22,952,670	\$23,548,999
Fringe benefits	\$8,949,157	\$9,809,731	\$11,303,360	\$12,580,435	\$13,735,499	\$15,013,040	\$16,426,523
Supplies	\$2,116,490	\$2,176,388	\$2,350,671	\$2,264,257	\$2,442,912	\$2,355,675	\$2,538,825
Other services & chg	\$19,759,375	\$20,230,280	\$19,691,633	\$19,955,469	\$20,139,361	\$20,570,896	\$21,091,373
Contingency	\$100,000	\$524,970	\$297,205	\$296,228	\$308,734	\$323,398	\$341,096
Capital outlay	\$85,000	\$0	\$0	\$0	\$0	\$0	\$0
Operating Transfers	\$12,917,152	\$10,176,570	\$10,568,015	\$11,222,997	\$11,924,745	\$12,765,074	\$13,691,004
Total Expenditures	\$64,583,363	\$63,947,985	\$65,567,711	\$68,124,351	\$70,922,704	\$73,980,753	\$77,637,820
% change over prior year	6.60%	-1.00%	2.50%	3.90%	4.10%	4.30%	4.90%
Revenue over (under) expenditures	\$2,402,612	-\$1,000,000	-\$3,097,176	-\$4,457,690	-\$6,544,644	-\$8,451,760	-\$10,987,412

The Strategic Planning Process

Strategic Planning Definition

Local government's strategic planning is the process by which a local government envisions its future and develops the necessary organization, staff, procedures, operations, and controls to successfully achieve that future.

Objective

The Objective of any strategic planning process is to increase organizational performance through an examination of community service needs, establishment of organizational goals, and identification of steps necessary to achieve these goals. Strategic planning concerns itself with establishing the major directions for the organization, such as its purpose/mission, major clients to serve, major problems to pursue, and major delivery approaches.

An effective strategic planning process facilitates the examination of the following questions:

- What business is the local government in? What should it be in? To whom does it provide services? Who is paying for them? Who should pay for them?
- What are the alternate revenue sources and strategies? What should the government system look like in response to these alternatives?
- What are the economic development possibilities and trends within the jurisdictional boundaries of the government, and what will the effects be on local services and infrastructure?
- Are there major reorganizations to be considered?
- What is the impact on service delivery if governmental priorities (economic development, public safety, and so on) change?

Ottawa County, the eighth-largest county in Michigan, is a beautiful community of 263,801 people located along the Lake Michigan shoreline. The government that serves the community is comprised of approximately 1,100 employees and elected officials with occupations as diverse as nursing, parks, corrections, administration, and law enforcement.

An 11-member Board of Commissioners, each elected to a two-year term, governs the County. The Board of Commissioners establishes the general direction of government and provides oversight of administrative functions of the County. The Board appoints a County Administrator who manages the budget, provides leadership and management of Board initiatives, and oversees general County operations. The remaining operations are managed by either elected officers (Clerk, Drain Commissioner, Prosecutor, Register of Deeds, Sheriff, and Treasurer), statutory boards (Community Mental Health), or the judiciary.

While the Board of Commissioners had conducted strategic planning activities in the past, the County had not had an active strategic plan, mission, or organizational values in place for several years, so in 2004 the Board began collecting information needed to develop a plan. This included the employee and resident surveys, a study of mandated services, employee input on the mission statement, evaluations of several departments, a wage and classification study, the United Way Community Needs Assessment, and definitions of the County's financing tools.

After collecting and considering this information, the Board met on March 23 and 24, 2006, to begin work on its strategic plan. That initial plan was adopted and implemented over the next two years. The Board now meets annually to review the strategic plan and develop an accompanying business plan comprised of objectives that serve as action steps toward achieving the strategic plan.

The Board of Commissioners met on February 14, 2012, to create the business plan for 2012. This involved an update of objectives for 2010 and a review of the strengths, weaknesses, opportunities, and threats (SWOT) facing the County. After the Board established draft objectives, Administration assigned resources to each objective, and developed outcome measures which will indicate success in completing the plan's goals. The results of the process follow.

formal statement of organizational values was developed to clearly identify not only the principles upon which the organization is based, but the way in which it treats its employees and residents.

We recognize the importance of the **Democratic Process** in the accomplishment of our mission, and hold it as a basic value to respect the rule of the majority and the voted choices of the people; to support the decisions of duly elected officials; and to refrain from interference with the elective process.

We recognize the importance of the **Law** in the accomplishment of our mission and hold it as a basic value to work within, uphold, support, and impartially enforce the law.

We recognize the importance of **Ethics** in the accomplishment of our mission and hold it as a basic value to always act truthfully, honestly, honorably and without deception; to seek no favor; and to receive no extraordinary personal gain from the performance of our official duties.

We recognize the importance of **Service** in the accomplishment of our mission and hold it as a basic value to treat each resident as a customer; to do all we can, within the bounds of the County's laws, regulations, policies and budget, to meet requests for service.

We recognize the importance of **Employees** in the accomplishment of our mission and hold it as a basic value to treat each employee with professional respect, recognizing that each person using his or her trade or vocation makes a valuable contribution; to treat each employee impartially, fairly and consistently; and to listen to the recommendations and concerns of each.

We recognize the importance of **Diversity** in the accomplishment of our mission and hold it as a basic value to treat all people with respect and courtesy.

We recognize the importance of **Professionalism** in the accomplishment of our mission and hold it as a basic value that each employee will perform to the highest professional standards and to his or her highest personal capabilities.

We recognize the importance of **Stewardship** of public money in the accomplishment of our mission and hold it as a basic value to discharge our stewardship in a responsible, cost-effective manner, always remembering and respecting the source of the County's funding.

Prior to setting goals, members of the Board of Commissioners examined the strengths, weaknesses, opportunities, and threats affecting the County as a whole. The items in each category are not ranked by importance, nor is this intended to be an all-inclusive list, however it forms a basis for the development of goals and objectives. In addition, the items identified provide a view of potential issues that may impact the environment in which the County provides services in the near- or long-term future.

STRENGTHS

- Community image - good place to raise a family, quality of life
- Location - good place to live
- Natural Resources (lakes, rivers, trees)
- Financial health
- Quality management by County Board and staff
- Effective services provided by dedicated employees
- Public safety - low crime
- Parks system
- Agriculture
- Potential for future energy development
- Industry
- Educational systems; public and private, higher education
- Entrepreneurs
- Regional cooperation
- Training programs and communication with employee groups
- Area traits; conservative, work ethic and religion
- Close to cultural resources
- Transportation
- Health care, local hospitals and proximity to Kent County
- Culture of volunteering and philanthropy, community services provided by non-profit and religious groups
- Strong recreational opportunities
- Infrastructure
- Website
- Open Space
- Broadband → coverage as % of county

OPPORTUNITIES

- Legislative activity - lobbyist to develop proactive strategies
- Local government communication, relations and assistance
- Economic development (Pfizer plant, energy, agriculture)
- Use of new communication tools, social networking
- Sustainable thinking - "going green", recycling, cost savings
- Growth in health care industry
- Economic climate allows for new thinking; regional focus, collaboration and consolidation
- Programs to meet new needs (emerging industries, substance abuse)
- Maintain open spaces
- Increase and recognize diversity
- Tourism (lakes, parks)
- Bring the road commission closer to the county, various strategies
- Bring balance to regulation in economic climate
- Provision of infrastructure
- Increase funding for mandated services
- Revenue sharing and finances
- Legislative plan to get state change(s)
- Improve transit, conduct corridor studies
- Growing anti-tax sentiment
- Distribution of Park Land

WEAKNESSES

- Effective communication with citizens and other stakeholders
- Lack of diversity, need to be a more welcoming place for diversity
- Declining transportation system with inadequate funding
- Redundancy, need for increased regional collaboration/consolidation
- Need to bring issues along slower to match a comfort-level with local units of government
- Runoff and water pollution
- Geographic division by Grand River
- Overall economic conditions
- State government
- Workforce unprepared, inadequate for future jobs
- Lack of countywide mass transit, especially to County facilities, rural areas
- Three Metropolitan Planning Organizations (MPOs)
- Accessibility and affordability for housing in disabled and elderly populations
- Over-reliance on manufacturing
- Managing growth to keep open spaces

THREATS

- Financial state of the economy - unemployment, state budget
- Loss of revenue sharing, dropping property tax revenue
- Crisis in the housing industry; foreclosures, loss of value, etc
- Rising pension and health care costs
- Lack of a regional economic development entity
- Bigotry and challenges of diversity
- Decreasing water quality, beach closures
- Excessive State/Federal regulation and mandates
- Air pollution regulation changes
- Gang and drug activity, WEMET funding
- Conflicts between being environmental and promoting business
- Aging population
- Road conditions and funding
- Domestic violence and hunger
- Substance abuse
- Globalization
- Term limits
- Green industry overkill, need to keep goal of a diverse economy
- Amount of non-taxable land
- Loss of personal property tax
- Right to work laws

A **VISION** statement indicates how an organization views its ideal, or ultimate, goal. The Board of Commissioners has established the following vision statement:

Ottawa County strives to be the location of choice for living, working, and recreation.

A **MISSION** statement assists an organization in easily communicating to a variety of constituencies what it does, who it serves, and why it does so. The Board of Commissioners has established the following mission statement:

Ottawa County is committed to excellence and the delivery of cost-effective public services.

GOALS focus the direction of an organization's work, under the guidance from the vision and mission statement. Goals are relatively static in nature and will not often change. The four goals of the Board of Commissioners are:

- 1. To maintain and improve the strong financial position of the County.**
- 2. To maintain and enhance communication with citizens, employees and other stakeholders.**
- 3. To contribute to a healthy physical, economic and community environment.**
- 4. To continually improve the County's organization and services.**

Goal 1: To Maintain and Improve the Strong Financial Position of the County.

Output

Outcome Indicator

Objective 1: Maintain and improve the financial position of the County through **legislative advocacy.**

- Advocate to achieve the full reinstatement of revenue sharing and mitigate any negative impacts of the shift of this funding to the Economic Vitality Incentive Program (EVIP).
- Identify other legislation (Personal Property Tax) that impacts our financial position, develop clear position statements on those issues and communicate those position statements to legislators.
- Find ways to maximize the services of our lobbyist contract and communicate the outputs and outcomes achieved.
- Advocate to achieve full funding of mandates.

Produce position statements that clearly outline our issues.
Conduct a survey of our legislative delegation on various issues.
Lobbyist provides quarterly legislative updates to the Board.

Revenue sharing is not further cut and eventually fully restored.
Positive legislation adopted and negative legislation defeated.
The Board affirms the value of the lobbyist contract.
Legislation is adopted that more fully funds mandates.

Objective 2: Implement processes and strategies to address operational **budget deficits** with pro-active, balanced approaches.

- Adopt a budget calendar and provide information to the Board necessary to make key decisions.
- Eliminate operational budget deficits, adopting the budget by the end of October.
- Identify financial threats and approve strategies to mitigate those threats.
- Maintain the health of the County financing tools.
- Develop a comprehensive sustainability plan, focusing on long term economic, social and environmental health.

Adopt a budget calendar and adhere to established timelines.
Provide information to the Board in a timely fashion.
Develop a comprehensive sustainability plan.

Budgets are adopted without deficits.
The County financing tools are fully funded.
The County can financially meet the needs of current residents without compromising the ability of future generations to meet their needs.

Objective 3: Approve strategies to reduce the negative impact of rising **employee benefit costs** on the budget.

- Continue to implement the strategy to move employee groups to a defined contribution (DC) plan for new hires.
- Continue strategies to contain health benefit costs, including evaluation of our health plan designs and bidding out our health plan to the market.
- Complete implementation of the health management plan.

More employee groups are moved to a DC plan for new hires.
Board considers strategies regarding health costs.
The health management plan is implemented.

Employee benefit costs rise at a rate lower than established benchmarks.

Objective 4: Maintain or improve **bond ratings.**

- Continue to address budget deficits with pro-active, balanced approaches.
- Present high-quality information to bond rating agencies.
- Continue to strive for "triple-triple" bond ratings.

Board adopts a balanced budget.
Communicate with bond rating agencies as scheduled.

Achieve and maintain the top ratings from all rating agencies.

What will we do to get there?

Strategic Plan Goal 1: To Maintain and Improve the Strong Financial Position of the County of Ottawa

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

Objective: Maintain and improve the financial position of the county through legislative advocacy

Objective: Implement processes and strategies to address operational budget deficits with pro-active, balanced approaches.

Objective: Approve strategies to reduce the negative impact of rising employee benefit costs on the budget

Objective: Maintain or improve bond ratings

Budget Ramifications: One of the key components of the County's legislative action plan is the lobbyist; the 2013 budget includes \$36,000 for Government Consultant Services, Inc (GCSI) to represent the County on legislative matters. During 2012, GCSI facilitated the efforts on the State's County Incentive Plan funding, Personal property tax initiatives, unfunded mandates, Remonumentation, electronic signatures, and indigent defense proposals. Two bills regarding electronic content management have been passed into law due in part to the lobbyists, and a third bill to allow electronic signatures and electronic filing of court documents is anticipated for later this year or early in 2013.

The 2013 budget was balanced using several strategies to provide a balance approach. One of the strategies to deal with operational budgets is to complete an analysis of need prior to filling vacant positions. As indicated in the transmittal letter, several positions will still be held vacant in 2013. Although no significant program reductions were necessary with the 2013 budget, reductions to various departments totaled approximately \$1.04 million.

Certain cost refinements were also made during the budget process. The County was more aggressive in adjusting the budget for vacancies and insurance opt outs. Total vacancies and health insurance opt-outs totaled \$1.4 million. Certain revenue streams continue to be re-assigned for the 2013 budget year (see transmittal letter). The County is also using \$1,125,000 in transfers from other funds as part of the budget balancing strategy.

With regard to employee benefit costs, during 2011, the Board formed the DB/DC conversion fund to accumulate money to pay the extra short-term costs the County would incur in going from a defined benefit to a defined contribution retirement system for new hires. Employees hired after January 1, 2012 are now enrolled in the defined contribution program. For 2013, the County does not anticipate needing additional funds from the DB/DC Conversion fund, but the fund will grow by interest earnings. Although it may take as long as ten years before the County realizes cost reductions in the retirement plan, the savings are projected to be in the millions.

During 2012, the County did bid out health insurance. After negotiations, the County estimates a 19 % increase in health insurance rates for 2013. In order to encourage employees to choose the less expensive H.S.A. insurance program, employees will not be required to pay a

percentage of the cost. Employees opting for the traditional plans will pay 20%. In addition, the Health Management Committee implemented its 2012-2014 Health Management Plan. Specifically, during 2012, County employees and their spouses were required to complete three items to avoid paying an additional 15 - 20 percent of their health insurance in 2013:

1. Participate in a biometric health screening between July 17 and August 6, 2012
2. Complete an online health risk appraisal by August 31, 2012.
3. Complete and submit your tobacco user certification form by August 31, 2012. If the participant uses tobacco products, he/she must participate in the "Tobacco Cessation Program" to secure the lower health insurance copay.

Plans for 2014 include the start of disincentives for employees by way of higher co-pays if three out of four health metrics are not met without a reasonable attempt at improvement identified by their doctor or if the covered person continues to use tobacco products. Noncompliance in 2014 will result in an additional 15 - 30 percent in the employee share of health premiums.

The County maintained their AAA rating with Moody's and Fitch and maintained their AA rating with Standard & Poors. The other objectives have already been met or are ongoing. In addition, several of the financing tools are contributing significant dollars to operations, and fully funding the financing tools is one of the Board's objectives. A discussion of these contributions as well as an update on the status of each of them follows.

Financing Tools Historical Summary

The first County "Financing Tool", the Delinquent Tax Revolving Fund, was established in 1974. It was not until 1981, the beginning of an economic downturn, that the Board established the Public Improvement Fund and the Stabilization Fund. The general purpose of the Financing Tools is three-fold:

To provide long-term financial stability for Ottawa County

To take financial pressure off the General Fund

To provide long-term financing for certain operational costs

As Federal Revenue Sharing dwindled from \$785,771 in 1986 to \$50,404 in 1987, the importance of long-term financial planning became even more apparent to the County Board. Thus, in 1986 the Board established the Duplicating Fund and the Employee Sick Pay Bank Fund. The Telecommunications Fund followed in 1987 along with the Equipment Pool Fund in 1988. The Board continued to explore long-term financing possibilities and in 1990, the Solid Waste Clean-up Fund and the Employee Benefits Fund were approved. In 1996, the Board discontinued the Employee Benefits Fund, reallocating the money for future improvements and expansion to our County parks system.

Most of the financing tools are self-supporting in that they do not require additional funding or fee increases to maintain their current operations. The Infrastructure Fund is fairly new (established in 1999) and not considered to be self-supporting. The Public Improvement Fund, used to account for monies set aside for public improvements, has been used extensively in recent years for the remodeling or construction of new facilities. Even after the Grand Haven/West Olive project, this fund will still be able to fund smaller capital improvement projects. After an operating transfer to the Stabilization fund in 2012, this financing tool is fully funded (based on State law). The Stabilization Fund maintains a significant fund balance and is contributing to the County budget in 2013 (interest earnings).

The financing tools are set up to cover certain annual operating costs, not one-time costs. These financing tools help stabilize the annual budget process by reducing the peaks and valleys created by legislation, economic fluctuation, termination of grant dollars, equipment requests, etc. In addition, these funds have a positive effect on the interest rates the County and its townships and cities receive on bond issues, benefiting County taxpayers millions of dollars over the years.

When these financing tools were first established, administration told the Board these tools would eventually reduce costs to County departments. Along with these financing tools, the County began self-funding several of its insurance programs including health, unemployment, dental, and vision which operate very similarly to the financing tools.

The County is now realizing the benefit of these self-insured programs along with our financing tools.

The Board's vision over the years has allowed Ottawa County to maintain one of the lowest operating millages in the State while at the same time provide for long-term financial strength that will benefit County residents for many years to come. The County can react to the unexpected while at the same time continue to provide a stable source of services to the public. Ottawa County is envied by most counties across the State.

The following pages demonstrate clearly how the financing tools have and will continue to save millions of dollars for the County over the years. Certain assumptions were used in making the calculations. Historical annual savings are based on a five year history. Projected annual savings are based on a five year projection.

The nine financing tools funds are:

2271	Solid Waste Clean-up Fund
2444	Infrastructure Fund
2450	Public Improvement Fund
2570	Stabilization Fund
2970	DB/DC Conversion
2980	Compensated Absences
5160	Delinquent Tax Revolving Fund
6450	Duplicating Fund

6550 Telecommunications Fund
6641 Equipment Pool Fund

Solid Waste Clean-up Fund (2271)

Year Established: 1990

Fund Purpose: This fund was established from monies received by Ottawa County from the settlement of litigation over the Southwest Ottawa Landfill. These monies are to be used exclusively for the clean-up of the landfill. (BC 90-277) The fund's goal is to use the interest generated from the principal to cover ongoing annual costs of the landfill clean-up. Beginning in 1998, these expenditures are paid for from this Fund thus saving the General Fund approximately \$356,000 - \$378,000 per year.

A plan to alleviate site contamination was approved by the Department of Natural Resources during 2005. The fund has expended over \$2 million to add and replace purge wells and provide overall enhancements to the groundwater purge and treatment system. In addition, the Ottawa County, Michigan Insurance Authority (blended component unit) has contributed an additional \$1.8 million to the project. The improvement project is essentially complete, but ongoing maintenance expenditures for purge well operations will continue indefinitely. Had money not been set aside in this fund, the County would have to fund it from the General Fund or some other County fund.

In addition, as part of the financing plan for the new West Olive and Grand Haven facilities, the fund contributed \$2.5 million in 2008 for the construction of the facilities, allowing us to lower debt service costs.

Financial Benefits:

- 1) Provides long-term financing for annual clean-up costs.
- 2) Takes financial pressure off the General Fund.

Infrastructure Fund (2444)

Year Established: 1999

Fund Purpose: This fund was established to provide financial assistance to local units of government for water, sewer, road, and bridge projects that are especially unique, non-routine, and out-of-the ordinary.

To date, the fund has made loans to municipalities totaling \$2,155,000. As part of the financing plan for the new West Olive and Grand Haven facilities, this fund is contributing \$125,000 per year for the anticipated principal and interest payments associated with the bond issue.

Financial Benefits:

- 1) Expedites projects by leveraging Federal, State, and other revenue sources.
- 2) Reduces debt levels.
- 3) Relieves General Fund of debt payments

Public Improvement Fund (2450)

Year Established: 1981

Fund Purpose: This fund is used to account for monies set aside for public improvements. The fund's goal is to provide sufficient dollars to fund the County's major capital projects.

In addition, as part of the financing plan for the new West Olive and Grand Haven facilities, this fund is contributing \$175,000 per year for the anticipated principal and interest payments associated with the bond issue. The 2013 budget includes a reassignment of \$300,000 of rent revenue from this fund to the General Fund to assist with operations. This change may continue for the next five years with little impact on the fund since no major building projects are currently planned.

Financial Benefits:

- 1) Contributes to a positive bond rating.
- 2) Savings on bond issue costs.
- 3) Relieves General Fund of debt payments.

Stabilization Fund (2570)

Year Established: 1981

Fund Purpose: This fund was established pursuant to Act No. 30 of the Public Acts of 1978 to assure the continued solid financial condition of the County. Use of funds are restricted for but not limited to:

- a) cover a general fund deficit, when the County's annual audit reveals such a deficit.
- b) prevent a reduction in the level of public services or in the number of employees at any time in a fiscal year when the County's budgeted revenue is not being collected in an amount sufficient to cover budgeted expenditures.
- c) prevent a reduction in the level of public services or in the number of employees when in preparing the budget for the next fiscal year the County's estimated revenue does not appear sufficient to cover estimated expenses
- d) cover expenses arising because of natural disaster, including a flood, fire, or tornado.

Financial Benefits:

- 1) Generates additional revenue for the General Fund. By law, any interest earned on this fund remains in the General Fund.
- 2) Provides long-term financial stability for Ottawa County.
- 3) Contributes positively to the bond rating.

DB/DC Conversion (2970)

Year Established: 2011

Fund Purpose: The purpose of the DB/DC Conversion fund is to accumulate funds for the short-term, temporary costs in changing from a defined benefit pension to a defined contribution

pension for new County employees. In the long-term, the change will result in approximately \$30 million in savings over 30 years. This financing tool allows us to minimize the impact of the change to the short-term operating budget.

Financial Benefits:

- 1) Reduces future liabilities for pensions
- 2) Helps stabilize short-term budget balancing
- 3) May improve State funding prospects in the future

Compensated Absences (2980)

Year Established: 1986

Fund Purpose: The purpose of the Compensated Absences Fund is to pay for the County's accrued liability which was a result of discontinuing the accumulation and payoff of employee sick days. The amount of liability is equal to number of days accumulated times the rate of pay at the time the employee entered the bank (negotiated in the union contract). An employee's account earns interest at the average rate of return earned by County Treasurer each year. Since 1993, this fund also has accounted for the amount of vacation time that employees have earned and not taken at the end of each fund's fiscal year-end as required under Governmental Accounting Standards Board Statement No. 16.

Financial Benefits:

- 1) The future liability for sick pay has been eliminated.
- 2) County employees received short and long-term disability coverage.
- 3) Reduced County funded sick days.
- 4) Contributes positively to the bond rating.

Delinquent Tax Revolving Fund (5160)

Year Established: 1974

Fund Purpose: The Delinquent Tax Revolving Fund is used to pay each local government unit, including the County, the respective amount of taxes not collected as of March 1 of each year. After many years of waiting for this fund to mature, the treasurer now avoids costly issuances of Delinquent Tax Anticipation Notes (now referred to as General Obligation Limited Tax Notes) and pays schools, local units and the County in a timely fashion. An annual evaluation is made to determine if it is beneficial for the County to issue general obligation limited tax notes versus using cash on hand. As a financing tool, money had been transferred each year to the General Fund. The 1996 transfer was \$750,000. The County discontinued a transfer to the General Fund in 1997 when the third bond issue was designated to be paid for from this fund. Beginning in 2000, the County had experienced the full impact of proposal A and had started the transfer of funds to the General Fund again. However, with the issuance of a fourth bond issue to be paid from this fund, the transfers were discontinued in 2006.

As part of the financing plan for the new West Olive and Grand Haven facilities, this fund is contributing \$150,000 per year for the anticipated principal and interest payments

associated with the bond issue. After careful analysis, it was determined that funds could again be transferred from the fund beginning in 2012, and the 2013 budget reflects continued transfers to the General Fund (\$625,000).

Financial Benefits:

- 1) Operating Transfers to the General Fund.
- 2) Principal and Interest Payments on four bond issues totaling \$2.05 million in 2013.
- 3) Ability to avoid bond issue costs to pay off annual delinquency.
- 4) Contributes to a positive Bond rating.
- 5) Cash flow management.

Duplicating, Telecommunications, and Equipment Pool Funds (6450, 6550, 6641)

Year Established:

Duplicating (6450)	1986
Telecommunications (6550)	1987
Equipment Pool (6641)	1988

Fund Purposes: The Duplicating Fund (6450) is used for ongoing replacement of copy machines in County departments. Revenues are received from user departments to cover the expenses incurred in providing printing and copying services.

The Telecommunications Fund (6550) was established in 1987 for the purpose of funding the County's transition from a leased telecommunications system to a County owned and operated system. This fund pays for the operation of and enhancements to the telephone system and a network. Revenues are received from user departments to cover expenses incurred in providing the telephone service as well as future capital improvements. The 2013 budget includes a diversion of the commission earned on jail inmate phone calls from this fund to the General Fund to assist in operations. This transfer may continue for up to three years with little impact on the fund.

The purpose of the Equipment Pool Fund (6641) is to provide long-term financing capabilities to departments on an ongoing basis for capital acquisitions and replacement of office furniture and equipment. Revenues are collected from user departments for the equipment rental charges to cover depreciation costs and to provide funds for future purchases of equipment.

In addition, as part of the financing plan for the new West Olive and Grand Haven facilities, these funds have contributed \$4.1 million for the construction of the facilities and approximately \$150,000 per year for the anticipated principal and interest payments associated with the bond issue.

Financial Benefits:

- 1) Provides a continuous funding source for equipment purchases.
- 2) Stabilizes the budget process by eliminating the peak and valley effect.
- 3) Savings over lease costs.

- 4) Savings on bond issue costs.
- 5) Relieve the General Fund of debt service payments

Overall Benefits of the Financing Tools

- 1) Take financial pressure off the General Fund.

The best way to take financial pressure off the General Fund is to reduce reliance on property taxes for funding of County services. The General Fund directly provides funding for approximately twenty seven (27) County departments and indirectly (through operating transfers) significantly affects nine (9) other County departments. Property Taxes represent the largest revenue source for the General Fund. However, property tax rates are limited by legislation, and charges for services are dependent on variables not under the control of the County (e.g., the economy). Consequently, it is crucial for the County both to capitalize on other revenue sources and to avoid actions which obligate the County to long-term expenditures. The financing tools provide on-going funding for a variety of costs.

The avoidance of debt payments is very important to the General Fund. Unlike other funding decisions of the General Fund, debt payments are mandatory, regardless of the revenue picture. Effectively, then, debt payments are an immediate subtraction from property tax revenues, taking away from other County programs. Thus, the debt payments avoided by the Public Improvement Fund (due to funding of construction costs) and funded by the Delinquent Tax Revolving Fund, Infrastructure Fund, Public Improvement Fund, Telecommunications Fund and the Ottawa County, Michigan Insurance Authority alleviate pressure on the General Fund, freeing up dollars for other County programs.

- 2) Provide long-term financing for certain operational costs.

By providing funding for certain operational costs on a long-term basis, the County, through the financing tools, is able to provide a high level of service to its residents.

The Duplicating, Telecommunications, and Equipment Pool Funds provide capital for equipment acquisition and replacement. If the County did not have the dollars to pay for the equipment, they would have to lease from an outside vendor or do without. Not purchasing equipment would result in an inefficient use of personnel and reduced service levels, particularly given our population growth levels. Another alternative to equipment purchases would be to just add more staff which are ongoing operational costs as opposed to one-time equipment costs.

Another cost that the financing tools help the County avoid are bond issue costs. Bond issue costs add nothing to the services the taxpayers are receiving. Because the Public Improvement Fund pays for certain projects outright, bond issue costs are avoided. Similar savings are realized by the Delinquent Tax Revolving Fund. Because the Board has allowed the Delinquent Tax Fund to grow, the total delinquency can be paid off without issuing notes. In addition to these direct costs, the County saves the indirect

costs associated with the administration of bond/note issues and/or the administration of monthly payments to local municipalities for their delinquencies.

The Compensated Absences Fund also assists the County in controlling costs. Prior to the implementation of the Sick Pay Bank Fund, County employees received twelve (12) sick days per year, and unused days were banked. With the establishment of the Employee Sick Pay Bank Fund, the number of sick days given per year have been reduced to six (6). In return, employees have been given disability coverage which costs the County significantly less. The savings are obviously significant. Clearly, the Financing Tools help the County provide a high level of services in a cost effective manner.

- 3) Provide long-term financial stability for Ottawa County.

The third and perhaps most important purpose of the Financing Tools is to provide for the long-term stability of the County. The natural result of reducing the reliance on property taxes and controlling costs is to enhance stability, but several of the funds speak more directly to this issue.

The Stabilization Fund, by its nature, enhances stability. The fund's main purpose is to provide emergency funding. This fund, combined with the General Fund's fund balance provides a cushion the County needs to accommodate unforeseen expenditures and revenue reductions. The DB/DC Conversion fund is a major tool to reduce costs in the future and enhance sustainability.

The Duplicating, Telecommunications, and Equipment Pool Funds promote stability as well. Without these funds, the County would have wide swings in expenditures for equipment purchases from year to year. This peak and valley effect impacts the funding of on-going programs and/or the purchases themselves. The Employee Sick Pay Bank Fund contributes to financial stability by eliminating liabilities. In addition to eliminating the liability, the employees received a greater benefit at a reduced cost to the County.

Additional Benefits:

- 1) Sufficient Equity Level.

One of the key factors that rating agencies use in establishing a bond rating is the level of equity in an organization. Though a specific percentage varies by municipalities, experts suggest 10 - 15 percent of expenditures reflects a healthy organization. The equity level also provides the County with adequate cash flow for payment of expenditures. Accordingly, the County's financing tools contribute indirectly to the General Fund's equity level.

- 2) Indicative of Long-Term Planning.

The Financing Tools show that the County Board had long-term financial planning in mind when they were originally established. Most of these funds began more than ten years ago. In addition, they represent something more

significant: a willingness to avoid taking the short-term popularity gain of a tax cut in order to plan and provide for the long-term financial health of the County.

3) Contributes to a Positive Bond Rating.

The County has obtained a AAA bond rating from both Moody's and Fitch on General Obligation Limited Tax Bonds. The County itself receives only a small part of the benefit of our high rating. Most of our debt is for water and sewer projects which are paid by municipalities and individuals through assessments. It is the local municipalities and the individual taxpayers that receive the greatest benefit of our high rating.

4) Reduced Interest Rates on Bond Issues.

According to Wachovia Securities, formerly A.G. Edwards & Sons, an investment banking firm, the effect of as little as one half step change in the rating could affect the interest rate anywhere between 3 basis points (.03%) to as much as 10 basis points (.10%). On \$100 million in outstanding debt, this would cost an additional \$315,000 to \$1,053,000 over the life of the issue. Remember, these figures represent only a half step change.

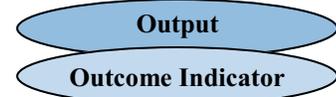
5) Low Millage Rate.

As discussed earlier, Ottawa County's millage levy is substantially lower than surrounding counties. Most, if not all, Counties in the State are faced with the problem of how to fund the unexpected, how to fund new equipment, and how to fund and solve space problems. These financing tools have allowed Ottawa County to solve these problems without additional taxpayer burdens.

Historical/Projected Summary

	2005 – 2011 Historical Savings <u>To General Fund</u>	2012 – 2018 Projected Savings <u>To General Fund</u>
Solid Waste Clean-up Fund (2271)	\$6,490,197	\$3,391,805
Average Annual Savings	\$927,171	\$484,544
Average Annual Millage Savings	0.0954	0.0506
Public Improvement Fund (2450)	\$21,984,825	\$13,981,805
Average Annual Savings	\$3,140,689	\$1,997,401
Average Annual Millage Savings	0.3314	0.2074
Stabilization Fund (2570)	\$1,792,850	\$622,597
Average Annual Savings	\$256,121	\$88,942
Average Annual Millage Savings	0.0279	0.0092
Delinquent Tax Revolving Fund (5160)	\$17,960,622	\$17,616,805
Average Annual Savings	\$2,565,803	\$2,516,686
Average Annual Millage Savings	0.2746	0.2617
Duplicating, Telecommunications, and Equipment Pool (6450, 6550, 6641)	\$13,140,524	\$9,427,868
Average Annual Savings	\$1,877,218	\$1,346,838
Average Annual Millage Savings	0.2003	0.1400
Grand Total	\$61,369,018	\$45,040,880
Total Average Annual Savings	\$8,767,002	\$6,434,411
Total Average Annual Millage Savings	0.9296	0.6689

Goal 2: To Maintain and Enhance Communication with Citizens, Employees, and Other Stakeholders.



Objective 1: Maintain a comprehensive **communication plan** that guides the work of the County in this goal area.

- *Develop and implement the work and responsibilities of the pilot marketing and communications manager.*
- *Evaluate and consider expanding the pilot marketing and communications manager position.*

Board considers an updated Communications Plan.
Board considers the communications position.

Indicators in the citizen and employee surveys and website metrics reflect increased knowledge of County activities and satisfaction with communication.

Objective 2: Continue to improve **www.miOttawa.org**.

- *Increase and improve the services that citizens can access and receive through the website.*
- *Continue to expand the use of social media initiatives that are linked to and complement the website.*

Regularly review work on the website and social media initiatives, tracking metrics to measure progress.

The 2012 citizen survey reflects an increase in citizen use of website.

Objective 3: Review existing and implement new strategies to maximize communication with **citizens**.

- *Evaluate the use of citizen budget meetings and other existing initiatives.*
- *Increase our focus on improving local media coverage.*
- *Develop a report on the benefit of County property tax dollars.*
- *Develop and promote a speakers bureau.*

Conduct citizen budget meetings.
Focus on improving local media coverage.
Board considers a "Property Tax Dollar" report.
A speakers bureau is established and promoted.

The 2012 citizen survey reflects an increase in citizen awareness of County activities.

Objective 4: Continue to develop and implement methods of communicating with **employees**.

- *Continue using the Front Page and all-staff e-mails to communicate important information to employees.*
- *Continue the Labor-Management Cooperation Committee.*
- *Continue and improve employee-edited newsletter.*
- *Continue brown-bag lunches and other information sessions.*

Administration maintains consistency with brown bag luncheons, newsletters, Labor-Management meetings and other means to communicate with employees.

The 2013 employee satisfaction survey reflects an increase in overall employee satisfaction.

Objective 5: Evaluate communication with **other key stakeholders**.

- *Evaluate use of paperless packets and other communication tools with Commissioners.*
- *Continue departmental annual report process.*
- *Maintain and implement a legislative action plan.*
- *Evaluate communications with local units of government, including the use of quadrant meetings.*

Conduct a survey of the Board rating communication.
The Board adopts and monitors a legislative action plan.
Quadrant meetings are held on a regular basis.

Commissioners report satisfaction with communication from Administration. Ottawa County is viewed as a leader for best management practices and collaborative efforts.

What will we do to get there?

Strategic Plan Goal 2: To Maintain and Enhance Communication with Citizens, Employees, and Other Stakeholders

Objective: Maintain a comprehensive communication plan that guides the work of the County in this goal area

Objective: Continue to improve the County website, miOttawa.org

Objective: Review existing and implement new strategies to maximize communication with citizens

Objective: Continue to develop and implement methods of communicating with employees

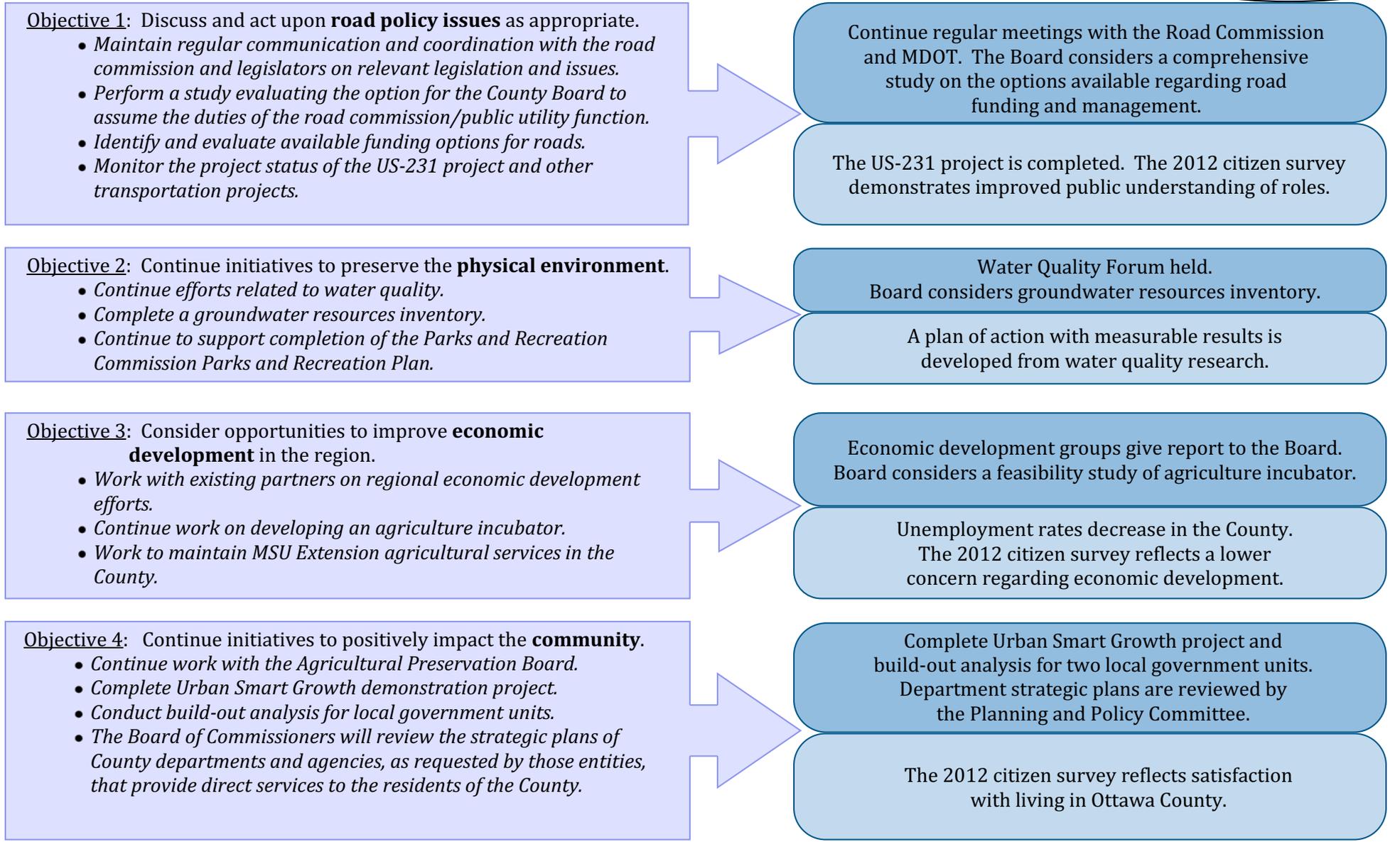
Objective: Evaluate communication with other key stakeholders

Budget Ramifications: A pilot communications position was implemented during 2012 with an estimated cost of \$13,381. The position will be expanded in 2013 to just under \$83,000 and will also improve communications for the Parks and Recreation department. During 2012, the County's website was revamped with significant new functionality. The 2013 Budget includes \$234,000 for miottawa.org maintenance and development of new services discussed under "Technology" in the transmittal letter. Also in 2012, the County spent \$20,000 for a citizen survey. The surveys are on a two year cycle to determine what impact County initiatives have made. The remaining objectives are ongoing and/or do not impact the budget.

Goal 3: To Contribute to a Healthy Physical, Economic, & Community Environment.



What will we do to get there?



Strategic Plan Goal 3: To Contribute to a Healthy Physical, Economic, & Community Environment

- Objective: Discuss and act upon road policy issues as appropriate
- Objective: Continue initiatives to preserve the physical environment
- Objective: Consider opportunities to improve economic development in the region
- Objective: Continue initiatives to positively impact the community

Budget Ramifications: The 2013 budget request includes \$8,000 for the planning commission for consultant work with local units for transportation plans. The economic development coordinator position is continuing in the Planning and Performance Improvement (PPI) department (General Fund, 1010-7211). Tasks assigned to the position include administering the County's Brownfield Redevelopment Authority, implementing a business incubator, and developing a coordinated economic development plan for Ottawa County. The PPI budget also includes over \$50,000 for the County's economic development consultant, \$25,000 for economic attraction opportunities, and \$34,000 for an urban smart growth project.

The 2012 PPI budget also addressed the physical environment with the inclusion of \$33,000 for a water resources study. In addition, in the Solid Waste Clean-up fund, \$500,000 is included in the 2013 budget for capital improvements to the Southwest Ottawa Landfill to help it meet treatment requirements in the agreement between the County and the State of Michigan. Planning is underway for the 7th annual Ottawa County Water Quality Forum. The forum brings several environmental scientists, representatives from the Michigan Department of Environmental Quality, and representatives from local municipalities and regional environmental and planning organizations to discuss current and future water quality issues. The Ottawa County Health Department's Environmental Health division 2013 budget includes \$81,000 for monitoring of area beaches; this initiative is approximately 75% grant funded through the State of Michigan. The Michigan State University (MSU) Extension program includes \$110,000 for basic extension services, \$48,000 for a nutrient management educator, \$43,500 for a small fruit/horticulture educator, and \$10,000 for the coordinator of the "Ag in the Classroom" program.

In addition, because of the rapid growth in the County, concern over green space and waterway access has become increasingly important. The 2013 Parks and Recreation budget includes a .3165 mill levy for park development, expansion and maintenance. This levy was renewed by the citizens in August of 2008 and authorizes the levy for ten years. The 2013 Parks and Recreation budget includes a total of \$2.5 million for land acquisition and capital improvements to existing properties.

Goal 4: To Continually Improve the County's Organization and Services.

Output

Outcome Indicator

Objective 1: Maintain systems and programs of **continuous improvement** to gain efficiencies and improve effectiveness.

- Develop and incorporate a system of continuous improvement through the Administrator's Office.
- Continue work on providing the most effective administration and funding for co-occurring mental health/substance abuse services.
- Conduct organizational efficiency and structure reviews, including;
 - Road Commission/Public Utilities
 - ERP System
 - IT Study
 - E Ticketing
- Complete evaluations of various programs and services, including;
 - CBT
 - SWAP
 - Drug Courts
 - Jail Mental Health Task Force

A system of continuous improvement is implemented. Board considers reports on all of the named reviews and evaluations.

Results are collected which demonstrate yearly and cumulative totals of both effective programs and services confirmed and savings from the elimination of ineffective programs and services.

Objective 2: Continue implementation of **outcome-based performance measurement systems.**

- Continue to work with departments to improve performance measurement systems and benchmarks, relative to budgeted resources.
- Continue work towards a report on mandated services and service-levels and prioritize those results.
- Continue to develop and improve dashboards and other reports to increase transparency and demonstrate outcomes.

Budget is adopted with outcome-based performance measurements incorporated. Dashboards are utilized to help demonstrate outcomes.

Budgets are adopted based upon demonstrated outcomes.

Objective 3: Maintain and expand investments in the **human resources** of the organization.

- Develop and maintain an Ottawa County standard for internal and external customer service, training employees on the standard.
- Pursue partners in the community to assist the organization to ask questions about and improve our cultural competency.
- Examine programs from other communities and evaluate potential for an expanded volunteer programming.

A customer service standard is implemented with training. Programs are implemented to improve cultural competency. An expanded volunteer program is evaluated.

Ottawa County is recognized for high customer service. Ottawa County is globally competitive for the talent of diverse cultures. Ottawa County has an active and effective volunteer base.

Objective 4: Examine opportunities for **service-delivery with local units of government.**

- Examine and evaluate possibilities for collaboration on service delivery with other local units of government.
- Make cost-effective services available to local units of government.

Options presented to local units regarding shared service opportunities.

Ottawa County is recognized as a region of excellence for government collaboration.

What will we do to get there?

Strategic Plan Goal 4: To Continually Improve the County's Organization and Services

- Objective: Maintain systems and programs of continuous improvement to gain efficiencies and improve effectiveness.
- Objective: Continue implementation of outcome-based performance measurement systems.
- Objective: Maintain and expand investments in the human resources of the organization.
- Objective: Examine opportunities for service-delivery with local units of government.

Budget Ramifications: The 2013 budget reflects the accumulated cost benefits of efficiency and organizational studies performed on several County departments. These studies have been performed on several programs including: Sentence Work Abatement Program, Inmate Case Management and Treatment, and Communities Helping Ottawa Obtain a Safe Environment. The cumulative (5 year) savings from programs modified, privatized, or discontinued as a result of the studies is \$3.5 million for 2013.

In addition, the 2013 budget includes the continuation of outcome based performance measures and program evaluations. Beginning in 2009, the Planning and Performance Improvement department (PPI) have been working with departments to further refine goals, objectives, and performance measures. Most departments have now met with PPI and the budget document reflects the initial goals, objectives and performance measures for departments with an emphasis on efficiency and outcome measures. It is a work in process, and further refinement is expected. The project is reflected in the 2013 budget for Planning and Performance Improvement as it uses existing staff.

Also during 2012, the Administrator's office rolled out its Continuous Improvement program which added \$41,000 for consultants in 2012. The 2013 budget includes \$75,000 for consultants as well as the continuation of a .7 full time equivalent position that was funded with an administrative reorganization. The 2013 budget also reflects the continuation of the employee training initiative with a budget of \$40,000.

In August of 2011, the County signed a contract with the City of Grand Haven to provide assessing services for the City. The \$137,500 contract is included in the 2013 budget. The County also provides policing services to various municipalities in the County and has a budget of \$6.3 million for these contracts.