

User's Reference Guide

Overview

The User's Reference Guide provides assistance in using the County of Ottawa 2008 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:

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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 2008 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 2007 ending fund balance, 2008 budgeted revenues/other financing sources, 2008 budgeted expenditures/other financing uses, and the projected 2008 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 two sections that follow are devoted to performance and goal achievement. The accomplishments section was added in this document to address goals and objectives less quantifiable or activity more long-term in nature. The performance and activity measures follow the accomplishments; 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 2008 budget.

The Board of Commissioners adopts the budget by line item 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 are included for 2004, 2005, and 2006. Projected revenues and expenditures are included for 2007. Finally, the 2008 Adopted budget is the last column provided in the detail information. For all other funds required under Public Act 621, budget information is displayed by revenue and expenditure classification totals. In prior budget documents, detail by line item, by department was reported for all funds. In an effort to reduce the size of the document and enhance readability, classification totals are reported for all funds. **The legal level of control, however, has not changed for these funds but remains at line item level.**

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 2008 budget

Section II

Summary of the 2008 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 2006, 2007, and budgeted 2008

Section V

General information about Ottawa County

Section VI

Glossary of budget and finance terms to assist the reader through the more technical areas 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.

Under Public Act 621, the county is required to budget under the same basis required for financial reporting. Accordingly, the county budgets governmental fund types under a modified accrual basis and provides budget summary information for the proprietary fund types under an accrual basis. The Comprehensive Annual Financial Report includes fiduciary fund types in addition to those previously mentioned. However, 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 six 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. In addition, 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, Mental Health, Public Improvement and the Revenue Sharing Reserve 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
Legislative:	X							
Judicial:								
Circuit Court	X							
District Court	X							
Probate Court	X							
Juvenile Services	X							
Community Corrections			X					
General Government:								
Fiscal Services	X							
Corporate Counsel	X							
Clerk/Elections	X							
Administrator	X							
Equalization	X							
Human Resources	X							

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
Prosecutor:								
Prosecution	X							
Crime Victim's Rights			X					
Administrative Services	X							
MIS							X	
Self-Insurance							X	
Telecommunications							X	
Equipment							X	
Register of Deeds	X		X					
Treasurer	X		X					
Delinquent Tax Revolving							X	
Revenue Sharing Reserve			X					
Co-Operative Extension	X							
GIS	X							
Facilities Maintenance	X							
Drain Commission	X							
Public Safety:								
Sheriff:								
Road Patrol	X		X					
Investigations	X							
Administration	X							
Records	X							
Community Policing	X		X					
Jail/Corrections	X							
Marine Safety	X							
Emergency Services	X							
Animal Control	X							
Dispatch/911								X
Public Works:								
Solid Waste Planning			X					
Water, Sewer, & Drainage								X

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
Roads								X
Health & Welfare:								
Health Services		X						
Mental Health		X						
Job Training			X					
Juvenile Detention/Foster Care			X					
Family Independence Agency			X					
Culture & Recreation								
Parks		X						
Community & Economic Development								
Planning	X		X					
Debt Service								
Building Authority Bonds				X				
Water and Sewer Bonds								X
Capital Construction								
Public Improvement		X						
Capital Projects					X			
Other:								
Cemetery Trust						X		

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, 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.

County of Ottawa 2008 Budget Calendar

March 12, 2007	Equipment and Personnel Request Forms sent to department heads.
March 30, 2007	Department requests for 2008 equipment and personnel submitted to Fiscal Services Department.
April 2, 2007	Performance Measures sent to department heads for updating.
April 30, 2007	Performance Measures returned to Fiscal Services Department. Complete strategic planning and ranking of services by Board of Commissioners.
May 8, 2007	Finance Committee approves the Resolutions of Intent to Increase Millage Rates, Distribution of the Convention Facility Tax and Distribution of the Cigarette Tax. <i>The County operating levy under consideration is for the 2007 levy and 2007 budget year. The 911 and Parks levies under consideration are for the 2007 levy and the 2008 budget year.</i>
	Board reviews Truth-in-Taxation Calculation, the Resolutions of Intent to Increase Millage Rates and sets the date for public hearing.
May 15, 2007	Finance Committee approves the Resolutions to Approve the Millage Rates and forwards them to the Board
May 21, 2007	Budget packets distributed to departments.
May 22, 2007	Board holds public hearing and approves the 2007 millage rates
May 21, 2007- June 15, 2007	Fiscal Services Department available to provide any needed assistance in completing budget documents.

- June 15, 2007 Departments submit completed budget requests and narratives to the Fiscal Services Department.
- June 15, 2007 - July 31, 2007 Fiscal Services Department summarizes budgets and prepares documents for Administrative review.
- July 15, 2007 - Aug. 17, 2007 Administration meets with Department Heads in preparation of a proposed budget.
- September 18, 2007 Finance Committee preliminary review of the 2008 budget and approval of the resolutions regarding the Distribution of the Convention Facility Tax and Distribution of the Cigarette Tax.; approval of the Salary and Fringe Benefits Adjustments.
- September 25, 2007 Board sets the date for the public hearing on the County Budget for October 9, 2007 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 receives preliminary overview of 2008 budget.
- October 3, 2007 Deadline for the publication of the public hearing notice on the 2008 budget.
- October 9, 2007 Board holds the public hearing on the budget and receives the formal Budget Presentation.
- October 16, 2007 Finance Committee reviews Resolution to Approve 2008 County Budget,
Insurance Authority Budget and the Apportionment Report.
- October 23, 2007 Board adopts the 2008 County Budget, the Insurance Authority Budget and the Apportionment Report.

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 Financial Policies

Cash and Investment Policy

The County Treasurer is the custodian of all county funds. By resolution, and in accordance with Public Act No. 40 of 1932, as amended, the County Board of Commissioners designates a depository or depositories for County funds. Also by resolution of the Board of Commissioners, the County Treasurer is authorized to invest surplus County funds in the various forms of investment that are permitted by state statutes and that follow the guidelines of the investment policy.

Investment Policy Summary

An Investment Policy covering all funds managed by the County Treasurer was adopted by the Ottawa County Board of Commissioners on April 26, 1994 (as amended April 11, 2000). The intent of the policy is to define the parameters within which the County's funds are to be managed and invested. The County recognizes its responsibilities with respect to the use and custody of public funds.

The comprehensive policy defines a wide range of issues including investment objectives, authority, authorized financial dealers and institutions, suitable investments, safekeeping, accounting, internal controls and investment performance and reporting requirements. Ottawa County's Investment Policy identifies the following investment objectives, in priority order: safety, liquidity, risk management, return on investment, and competitive bidding.

1. Cash Management

The County's policy regarding cash management is based upon the realization that there is a time-value to money.

Receipts: All monies due the County shall be collected as promptly as possible. Monies that are received shall be deposited in an approved financial institution no later than the next business day after receipt by County departments or as may be deposited by written policy. Amounts that remain uncollected after a reasonable length of time shall be subject to any available legal means of collection.

Disbursements: Any disbursements to suppliers of goods or services or to employees for salaries and wages shall be contingent upon an available budget appropriation and the required prior approvals as stated in the County's general policies.

Cash forecast: At least annually, a cash forecast shall be prepared using expected revenue sources and items of expenditure to project cash requirements over the fiscal year.

Pooling of Cash: Except for cash in certain restricted and special accounts, the County Treasurer shall pool cash of various funds to

Cash and Investment Policy (continued)

maximize investment earning.

2. Authorized and Suitable Investments

The County is empowered by State statute (Public Act No. 20 of 1943, as amended, MCL 129.91 et seq.) to invest in the following types of securities:

- A) In bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- B) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. The financial institution must be:
 - A state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union
 - whose deposits are insured by an agency of the United States government and
 - that maintains a principal office located in the State of Michigan under the laws of this State or the United States
- C) In commercial paper rated at the time of purchase within the two highest classifications by at least two rating services and that mature not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
- D) Repurchase agreements consisting of bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- E) In bankers' acceptances of United States banks.
- F) Mutual funds registered under the Federal Investment Company Act of 1940, composed of the investment vehicles described above. The policy includes securities whose net asset value per share may fluctuate on a periodic basis.
- G) Obligations described above if purchased through an inter local agreement under the Urban Cooperation Act of 1967 (for example, the MBIA program).
- (H) Investment pools organized under the Surplus Funds Investment Pool Act (Public Act 367 of 1982), e.g. bank pools.

Cash and Investment Policy (continued)

3. Maturities and Diversification

Liquidity shall be assured through practices ensuring that disbursement, payroll, and bond payable dates are covered through maturing investments or marketable U.S. Treasury issues.

It is the policy of the County to diversify its investment portfolio. Assets held in the pooled funds and other investment funds shall be diversified to eliminate the risk of loss resulting from the over concentration of assets in a specific maturity, a specific issuer, or a specific class of securities.

Debt Policies

One of the County's financing tools is the Public Improvement fund (Special Revenue fund 2450). The main purpose of the fund is to pay for building construction and major renovations for County facilities, and thus to avoid debt payments. The fund is used unless the scope of the project or current interest rates suggest debt issuance. Consequently, the majority of the County's debt is issued by its component units, primarily Ottawa County Public Utilities.

- 1) The county will not issue debt to finance on-going operations. Debt will only be issued to finance the construction of water and sewage disposal systems, drains and buildings, and to refund previously issued bonds. The County pledges its full faith and credit behind these issues. However, the county approves these issues only after ensuring that the issuer has established the revenue stream to make the debt payments.
- 2) As required under State of Michigan law, the county shall not increase its total debt beyond 10 percent of its assessed valuation. The 2007 assessed valuation for Ottawa County is \$11,719,793,894, capping debt at \$1,171,979,389. Ottawa County is well below this legal debt limit.

Auditing and Financial Reporting Policies

- 1) An independent audit will be conducted annually.
- 2) Financial Reports will comply with Generally Accepted Accounting Principals as determined by the Governmental Accounting Standards Board.

Purchasing Policy

On July 25, 1995 the Board of Commissioners adopted a new purchasing policy. The main tenants of the policy are discussed below:

Purchasing Policy (continued)

- I. Source Selection
 - A) All procurement contracts in excess of \$20,000 will be awarded by competitive sealed bidding.
 - B) When the Purchasing Department determines that the use of competitive sealed bidding for procurements in excess of \$20,000 is either not practicable or not advantageous to the County, a contract may be entered into by use of the competitive sealed proposals method (Request for Proposal).
 - C) For purchases over \$500, but less than \$20,000, quotations from at least three vendors must be documented. Awards shall be made to the qualified vendor offering the best value in the sole opinion of the Director of Administrative Services.
 - D) For purchases under \$500, Department heads shall make the purchase using responsible criteria.
- II. Contract Clauses: County contracts for goods and services shall include provisions necessary to define the responsibilities and rights of both parties. The Director of Administrative Services may issue such clauses as deemed appropriate under a variety of subjects including price adjustments.
- III. Specifications: Specifications shall be written so as to promote overall economy for the purposes intended and to encourage competition while still providing a fair opportunity to all qualified vendors through nondiscrimination.
- IV. Procurement of Construction Services: The Director of Administrative Services shall determine the method of construction contracting management for a particular project.
 - A) Bid security in the amount of 5% of the bid shall be required for contracts over \$50,000.
- V. Suspensions: The Director of Administrative Services, upon consultation with the Civil division of the Prosecutor's office, is authorized to suspend a person from consideration for a period of not more than three years given appropriate cause.
- VI. Appeals and Remedies: A formal appeal process is provided for in the policy.
- VII. Ethics

Purchasing Policy (continued)

- A) Criminal misconduct is punishable as provided by the Michigan Penal Code.
- B) Conflict of Interest: County employees shall abide by existing County policies including, but not limited to, policies regarding conflict of interest, gratuities or "kickbacks", and confidential information.

Fiscal Policies

Adopted by the Board of Commissioners on June 13, 1995, Ottawa County fiscal policies and procedures are based on the following general financial goals:

- Maintain an adequate financial base to sustain a prescribed level of services as determined by the State of Michigan and the County Board of Commissioners.
- Adhere to the highest accounting and management practices as set by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, the Government Finance Officers' Association standards for financial reporting and budgeting, and other applicable professional standards.
- Establish priorities and funding mechanisms which allow the County to respond to local and regional economic trauma, changes in service requirements, changes in State and Federal priorities and funding as they affect the County's residents.
- Preserve, maintain, and plan for replacement of physical assets.
- Promote fiscal conservation and strive to obtain the highest credit rating in the financial community, by ensuring the county:
 - a. pays current bills in a timely fashion;
 - b. balances the budget;
 - c. provides for future costs, services, and facilities;
 - d. maintains needed and desired services.
- Assure County taxpayers that County government is well managed by using prudent financial management practices and maintaining a sound fiscal condition.

To accomplish these goals, the following policies were also approved:

- I. Ottawa County will attempt to establish an undesignated fund balance in the general fund to pay expenditures caused by unforeseen emergencies, for cash short-falls caused by revenue declines and to eliminate any short-

Fiscal Policies (continued)

term borrowing. The undesignated fund balance shall be maintained at an amount which represents a minimum of 10% and up to 15% of the general fund actual expenditures for the most recently completed audit but not more than the equivalent of three months of operations of the planned budget year.

- II. All unencumbered appropriations lapse at year end. However, the appropriation authority for major capital projects, capital assets and previously authorized projects (i.e., the encumbered portions) carries forward automatically to the subsequent year. All other encumbered appropriations lapse at year-end.
- III. Ottawa County will include an amount in the general fund budget (i.e., a line item for contingencies) for unforeseen (e.g., emergency type) operating expenditures. The amount will represent not less than 1% and not more than 2% of the general funds actual expenditures for the most recently completed audit (i.e., 2002 audit used for 2004 budget). All appropriations from contingency must have County Board approval.
- IV. All budgets shall be adopted on a basis consistent with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board. Revenues are budgeted when they become measurable and available and expenditures are charged against the budget when they become measurable, a fund liability has been incurred and that liability will be liquidated with current resources.
- V. Ottawa County will maintain a budgetary control system to ensure adherence to the budget and will prepare timely, monthly financial reports comparing actual revenues, expenditures, and encumbrances with budgeted amounts.
- VI. Ottawa County shall support efforts which reduce future operating costs. The County will strive to fully fund the County's financing tools to benefit all current and future residents of Ottawa County. Once fully funded, the County Board will annually review the financing tools during the budget process with the intent to maintain full funding.
- VII. Ottawa County will recover indirect costs from all grants, contracts and reimbursements where allowable and appropriate.

Operating Budget Policies

The Operating Budget Policies were approved by the Board of Commissioners on June 13, 1995.

Ottawa County shall prepare a comprehensive budget covering all governmental fund types each year.

Because revenues, especially those of the General Fund, are sensitive to local and regional economic activity, revenue estimates adopted by the Board of Commissioners should be realistic, but conservative.

All operating expenditures will be paid out of current revenues or undesignated balances in excess of reserve requirements.

Direct expenditure and/or transfers of any unencumbered balance or any portion thereof in any appropriation reserve for transfer account to any other appropriations or reserve account may not be made without amendment of the general appropriation measure.

Ongoing operating budget should be supported by ongoing, stable revenue sources. This protects the County from fluctuating service levels and avoids crisis when onetime revenues are reduced or removed. Some corollaries to this policy include:

- a. Cash balances should be used only for one time expenditures, such as capital equipment and improvements, or contingency accounts.
- b. Ongoing maintenance costs should be financed through recurring operating revenues, rather than through bonds.

The County will avoid budgetary procedures, such as "accruing future years' revenues" or "rolling over short-term debt," which balance the current budget at the expense of future budgets.

All Budgetary procedures will conform with State law including Public Act 621 of 1978 known as the "Uniform Budget and Accounting Act," MSA 5.3228 (21a) et seq.; MCLA 141.421a et seq.

The major responsibilities of individuals in a local unit of government are:

- I. The Administrator will assume final responsibility for the preparation, presentation, and control of the budget (budget preparation can be delegated by the Administrator to the Fiscal Services Director).
- II. Department heads and other administrative officers of budgetary centers will provide necessary information to the Administrator for budget preparation.

Operating Budget Policies (continued)

- III. The Administrator will present the recommended budget to the Finance Committee.
- IV. The Finance Committee will review the recommended budget and may request necessary information for consideration of the budget prior to presentation to the Board of Commissioners.
- V. The Board of Commissioners will hold a public hearing prior to final approval of the budget.
- VI. The Board of Commissioners will pass a general appropriations resolution, consistent with the uniform chart of accounts prescribed by the Department of Treasury, establishing the legal levels of control.
- VII. The Administrator and Fiscal Services Director will recommend, and the Board of Commissioners will approve, any amendments to the general appropriations act required to comply with P.A. 621.

Self-Insurance

The County has several Internal Service Funds as well as the Insurance Authority which account for various uninsured risks. The county is self-insured up to certain limits which vary by type of risk, and purchases reinsurance to cover claims in excess of those limits.

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.

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 \$1.68 million. The Board of Commissioners opted to reduce the levy further to 3.600 mills. This resulted in an additional \$6.37 *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 .4407 mills; this represents decreased revenue of approximately \$568,000. The Parks levy was also reduced slightly by Headlee from .33 mills to .3165 mills - a decrease of just over \$129,000.

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 September 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>
1997	1998	3.9229	.4460	.3296	4.6985
1998	1999	3.7055	.4460	.3289	4.4804
1999	2000	3.6000	.4545	.3267	4.3812
2000	2001	3.6000	.4515	.3245	4.3760
2001	2002	3.5000	.4493	.3229	4.2722
2002	2003	3.4000	.4464	.3208	4.1672
2003	2004	3.4000	.4429	.3182	4.1611
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	<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. Please also see the transmittal letter for additional information.

Calculation of Property Taxes

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

Market Value of Property	Taxable Value*	Operations Tax Levy Rate	Estimated County Tax	E-911 and Parks Tax Levy Rate	Estimated E-911 and Parks Tax	Total County Tax
\$ 75,000	37,500	.0036000	\$135.00	.0007572	\$28.40	\$163.40
\$100,000	50,000	.0036000	\$180.00	.0007572	\$37.86	\$217.86
\$150,000	75,000	.0036000	\$270.00	.0007572	\$56.79	\$326.79
\$200,000	100,000	.0036000	\$360.00	.0007572	\$75.72	\$435.72

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

Comparison of Tax Levies of Other Michigan Counties

2007 Operating Millage Levies of Neighboring Counties:

Allegan	4.6577
Muskegon	5.6984
Kent	4.2803
Ottawa	3.6000

Counties of Similar Size:

<u>County</u>	<u>2007 Taxable Valuation</u>	<u>Operating Millage Levy</u>
Kalamazoo	\$7,950,674,219	4.6871
Ingham	7,857,288,668	6.3512
Ottawa	9,585,665,481	3.6000
Genesee	11,849,655,646	5.5072
Washtenaw	15,510,438,244	4.5493

Highest 2006 Allocated and Voted Levy:

Baraga	14.95
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Lowest 2006 Allocated and Voted Levy:

Livingston	3.88
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New Positions Approved with the 2008 Budget

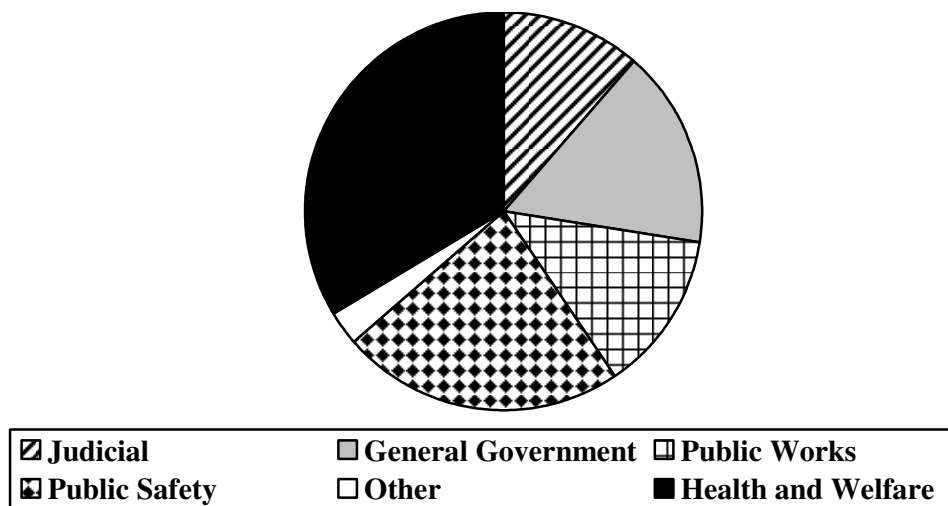
As indicated in the transmittal letter, no new positions were approved for 2008 that affected the bottom line of the General Fund. However, because they did not affect the General Fund, certain positions were approved. The table that follows lists all of the approved changes.

County of Ottawa
2008 Budget - New Positions Approved

Department	FTE / Description	Position Cost
Permanent Positions		
Health	.6 Senior Env Health Specialist	\$39,809
Temporary Positions		
Probate Court	Court Bailiff for Jury Trials	\$960
Planning and Grants	College Intern	\$5,517
Parks & Recreation	Stewardship Supervisor	\$30,891
Parks & Recreation	(4) - Park Attendants	\$42,644
Register of Deeds	Indexing Temporary	\$31,200
Child Care- Detention	Relief Youth Specialist to cover staff for vacations, etc.	\$8,880
Total Temporary Position Requests		\$120,092
Grand Total - Personnel Additions		\$159,901

Total County Personnel by Function

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



Capital Equipment Approved with the 2008 Budget

		2008
Department Name	Item Description	Estimated Purchase Price
Circuit Court	Jefferson Audio Visual Recording System	\$12,640
District Court	Video Conferencing Equipment	\$8,500
Probate Court	Replacement of JAVS video system w/digital in Courtrooms A & B	\$45,284
Elections	2 Automark Machines for additional precincts	\$12,934
Geographic Information Systems	Dell Server PowerEdge 2950	\$8,337
Geographic Information Systems	SQL Server 2005	\$5,820
Bldg. / Grds. -Juvenile Services-Jail	Salt Spreader	\$6,200
Bldg. / Grds. - Fillmore Admin	3/4 Ton Pick Up Truck	\$24,000
Sheriff	4 Ford CVPI Patrol Vehicles	\$88,000
Sheriff	2 Vehicles to replace current DB vehicles	\$40,000
Sheriff	Crime scene & crash reconstruction software	\$8,000
Marine Safety	26' Patrol vessel	\$88,791
Jail	New Ford F350 9 Passenger Van	\$24,000
Jail	Ford E-350 Van / SWAP Program	\$25,280
Jail	Ford Van Unit 871	\$24,000
Emergency Services	Vehicle - Van Car 9	\$25,000
Animal Control	Ford Van to replace vehicle 91	\$24,000
Animal Control	2 Chevy pickup to replace 90 & 92	\$50,000
Parks & Recreation	3/4 ton 4x4 pick up truck - diesel powered	\$28,000
Health-IMMS	2 Guardian Home Stanby Generator	\$11,178
Environmental Health	Lumex RA 915 Light-Mercury Analyzer	\$14,900
COPS Universal Holland	2 CVPI Patrol Vehicle Unit 701,704	\$44,000
Spring Lake TWP/Schools	Ford CVPI Patrol Vehicle Unit 141	\$22,000
COPS / Allendale Pol Corp	Ford CVPI Patrol Vehicle Unit 103	\$22,000
EMT - Georgetown Twp.	Chevy Police Tahoe for E-Unit to replace 49	\$29,000
Road Patrol PA416	Chevy Police Pkg Tahoe to replace 715	\$29,000
Juvenile ISP	3 Ford CVPI Patrol Vehicle	\$66,000
Juv. Srvc-Community Interventions	Identix desktop livescan system	\$11,095
Information Technology	Anti-Malware	\$47,980
Information Technology	Upgrade SAN to full Disk and Server	\$15,118
Information Technology	3 LANSA Software Developer License	\$45,000
Duplicating/Admin. Services	Copy Machines	\$13,000
Duplicating/Admin. Services	14 Copy Machines	\$85,600
Telecommunications	Telephone expansion Fillmore Addition	\$40,000
Telecommunications	2 Video Conferencing Unit	\$28,000
Total Capital Equipment Purchases		<u>\$1,072,657</u>

This schedule includes capital equipment items only which are defined by the County as items with a per unit price of greater than \$5,000. For a complete list of approved

equipment including items under \$5,000, please see the schedule included in the appendix.

In addition, the County is planning for the following capital construction projects:

Capital Construction Projects

Project Description	2008 Expenditures	Future Year Expenditures
Grand Haven/West Olive Project	\$12,831,971	\$10,978,512
SouthWest Ottawa Landfill	\$1,373,182	\$0
Tunnel Park Dune Climb	\$45,000	\$30,000
Hemlock Crossing/Native Grasslands	\$15,000	\$0
Park 12 Switchback Replacement	\$20,000	\$0
Bur Oak Landing Kiosk/Parking	\$15,000	\$0
Upper Macatawa Non-Motorized Pathway	\$600,000	\$0
North Ottawa Dunes Phase I	\$100,000	\$0
Nature Education Center	\$1,500,000	
	\$16,500,153	\$11,008,512

Financial Outlook

Overview

The County of Ottawa Strategic Plan of 1993 promoted multi-year budgeting as a tool to prioritize immediate and long-range needs to develop a stable financial base. Budget projections are useful for planning purposes as they give the general direction of County finances based on trends. However, it is important to realize that the figures projected are by no means guaranteed funding levels as several factors (e.g. legislation, economy, population, etc.) affect funding.

Previously, the County projected out three years, but during 2004, this was extended to five years. Unexpected increases in certain costs as well as the tenuous nature of certain State funding sources required an expanded and more detailed look at the future. The history of expenditures was a good starting point as most of the County's costs, especially in the General Fund, are ongoing. History also provided us with trend information such as personnel additions and health care cost trends. From here, projections were formulated based on the following assumptions:

Revenues

For more detailed trend information, please see the revenue sources section of the budget document.

Property Tax – Increasing 4.0% to 5.0% per year. Property Tax is the largest revenue source of the General Fund, so accurate trend information is especially important. Ottawa County continues to have strong growth, and the average annual percentage increase in taxable value between 2000 and 2004 was 6.56%. The increase in the 2007 taxable value was 6.27%. Due to the declining housing market and to be conservative, the lesser amount of 4.0% to 5.0% is being projected.

Intergovernmental Revenue – In recent years, the County has seen many State funding sources stay flat. Consequently, the County used a 0% increase for most intergovernmental sources. One exception to this, however, is the contributions from local units. Most of this revenue is reimbursements from municipalities that contract with us for policing services. By contract, these municipalities are required to reimburse us based on expenditures. As a result, that particular intergovernmental revenue is projected to increase 3% per year.

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. This too, may be conservative. Revenue in the Register of Deeds office increased by an average of 15% per year for 2000 – 2004. Beginning in 2004, revenue is decreasing, and higher interest rates will likely lower the rate of growth for this revenue.

Investment Income – Since Investment Income depends in part on the investment environment, it is difficult to make projections. The County anticipates earnings to bottom out in 2006/2007 (based on current holdings), but improve significantly after that. However, since Investment Income constitutes a small part of total revenue, the effect of the improvement on future operations is also small.

Operating Transfers In – In general, operating transfers in are one time dollars. Because the County does not want to financially strain other funds, no one time operating transfers are included in the 2008 budget. The only Operating Transfer In revenue in the budgets for 2008 and beyond is from the Revenue Sharing Reserve fund.

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

Expenditures

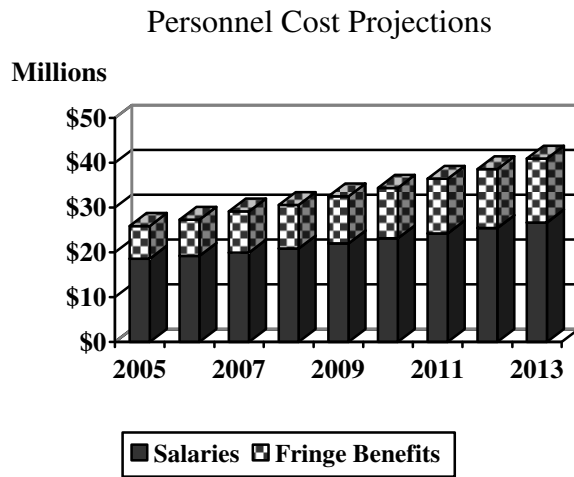
Salaries – County employees generally receive a cost of living adjustment based on the consumer price index. In addition, newer employees also receive step increases for five years. After the five years, the employees receive only the cost of living adjustment. To cover both the cost of living adjustment and the step increases, the projections increase salaries by 4.75% per year.

In addition, a growing County like Ottawa needs to be able to respond to the growing service demands with additional employees. Based on historical personnel additions,

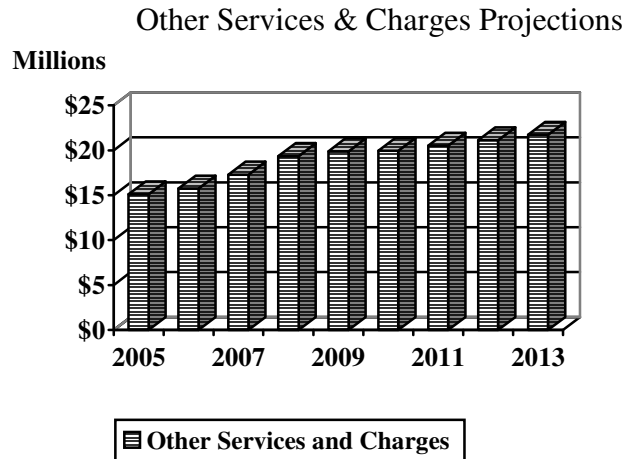
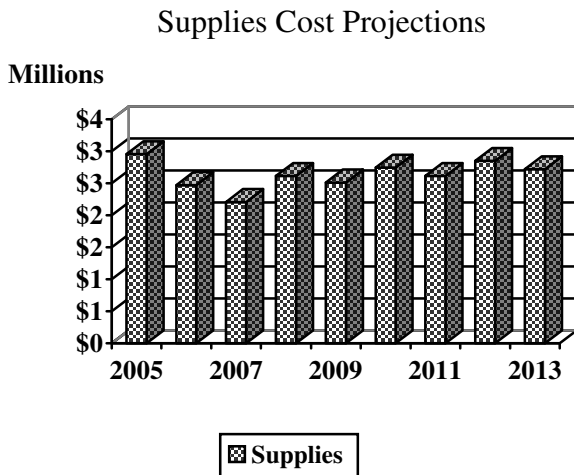
approximately \$500,000 per year is added to salaries and fringe benefits per year to reflect additional employees.

Fringe Benefits – Certain fringe benefits, the largest being social security tax and retirement contributions, are based on salaries. Consequently, these fringe benefits are also projected to increase by 4% per year. Other fringe benefits, mainly health, dental and optical insurance are not based on salaries. Based on the most recent actuary study, the projections include increases of 12.38% per year for health insurance, 8% for dental insurance, and 5% for optical insurance.

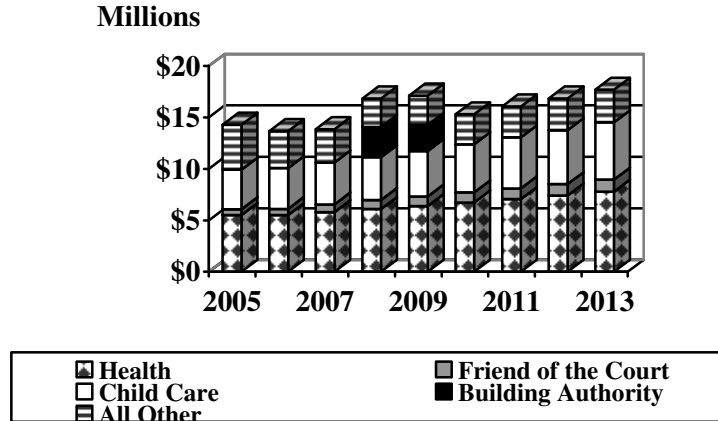
The graph below shows the history and projections for personnel costs and reflects the disproportionate increase in fringe benefits as compared to salaries.



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 6-8% per year. In addition, adjustments have been made to reflect election costs in election years and the projections for facilities costs in connection with the Grand Haven/West Olive project.



Operating Transfers Out - The County's largest operating transfers go to Health, Child Care, and the Friend of the Court, with much of the money covering personnel costs. Since personnel costs are rising much faster than the consumer price index, the operating transfers also need to increase faster. Consequently, projections for operating transfers are increasing 2% - 6%, depending on the fund. The graph below shows the increasing amounts projected for operating transfers.



Results

As discussed in the transmittal letter, a deficit reduction plan has been implemented to address the structural deficit. This plan has made significant improvement in the financial outlook of the County. However, there have been subsequent developments that have soured the outlook and necessitate additional response. When the original estimates were made, the County was not anticipating a significant other post employment benefits liability. However, the annual required contribution in 2008 is nearly \$1 million. In addition, the deteriorating housing market has resulted in lower anticipated increases in taxable value.

During 2007, the Board of Commissioners completed a preliminary ranking of discretionary programs as a basis for possible reductions and eliminations. In January of 2008, the Board will complete a second ranking of discretionary services in conjunction with their strategic planning session. The County believes this and other avenues will eliminate the operating deficit and will maintain the financial standing of the County. A table listing revenue and expenditure projections by category follows.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	Actual	Actual	Actual	Actual	Current Year Estimated	Projected	Projected	Projected	Projected	Projected	Projected
Revenues:											
Taxes	\$28,134,948	\$29,744,577	\$32,858,275	\$37,095,829	\$38,823,071	\$40,831,115	\$43,887,780	\$45,752,165	\$47,695,947	\$49,619,084	\$51,594,636
Intergovernmental	\$8,359,170	\$6,237,538	\$5,962,079	\$4,637,820	\$4,834,855	\$4,342,734	\$3,610,681	\$3,651,701	\$8,764,234	\$9,064,920	\$9,270,541
Charges for services	\$9,682,777	\$9,027,566	\$9,124,440	\$9,240,623	\$9,789,260	\$10,094,827	\$10,296,724	\$10,502,658	\$10,712,711	\$10,926,965	\$11,145,505
Fines & Forfeits	\$993,792	\$1,026,797	\$1,069,949	\$1,047,692	\$1,050,370	\$1,047,600	\$1,068,552	\$1,089,923	\$1,111,722	\$1,133,956	\$1,156,635
Interest on investments	\$941,249	\$830,652	\$866,449	\$1,717,019	\$1,850,000	\$1,800,000	\$1,685,000	\$1,570,000	\$1,570,000	\$1,570,000	\$1,570,000
Rental income	\$2,156,724	\$2,225,581	\$2,397,103	\$2,511,754	\$2,765,333	\$2,930,343	\$2,991,506	\$3,039,268	\$3,152,887	\$3,241,289	\$3,334,852
Licenses & permits	\$292,537	\$311,494	\$299,828	\$289,351	\$273,025	\$274,025	\$279,506	\$285,096	\$290,798	\$296,613	\$302,546
Other	\$305,311	\$356,567	\$346,904	\$362,827	\$297,194	\$341,757	\$345,427	\$349,171	\$352,989	\$356,884	\$360,857
Operating transfer in	\$1,178,500	\$6,638,481	\$6,323,127	\$4,239,536	\$4,408,441	\$4,510,800	\$4,709,533	\$4,874,366	\$101,340	\$0	\$0
Fund balance reserve use	\$0	\$0	\$0	\$0	\$135,684	\$2,984,508	\$2,532,373	\$0	\$0	\$0	\$0
Total Revenue	\$52,045,008	\$56,399,253	\$59,248,154	\$61,142,451	\$64,227,233	\$69,157,709	\$71,407,081	\$71,114,347	\$73,752,628	\$76,209,712	\$78,735,571
% change over prior year		8.40%	5.10%	3.20%	5.00%	7.70%	3.30%	-0.40%	3.70%	3.30%	3.30%
Expenditures:											
Salaries	\$16,828,359	\$17,776,227	\$18,614,044	\$19,216,398	\$19,967,633	\$20,867,071	\$22,004,280	\$23,116,063	\$24,246,264	\$25,432,279	\$26,676,880
Fringe benefits	\$5,915,437	\$6,680,860	\$7,280,421	\$8,060,040	\$9,155,458	\$9,715,764	\$10,481,667	\$11,277,373	\$12,178,924	\$13,163,022	\$14,237,921
Supplies	\$2,193,748	\$2,294,523	\$2,956,830	\$2,472,811	\$2,207,946	\$2,614,016	\$2,512,760	\$2,744,168	\$2,616,577	\$2,851,183	\$2,721,883
Other services & chg	\$14,683,837	\$14,536,981	\$15,102,808	\$15,736,645	\$17,288,160	\$19,352,203	\$19,894,306	\$19,936,143	\$20,519,391	\$21,126,084	\$21,733,068
Contingency	\$0	\$0	\$0	\$0	\$0	\$565,745	\$577,060	\$588,601	\$600,373	\$612,381	\$624,628
Capital outlay	\$101,098	\$83,217	\$422,926	\$11,238	\$16,000	\$75,000	\$0	\$0	\$0	\$0	\$0
Operating Transfers	\$10,078,187	\$12,287,447	\$14,287,835	\$13,667,299	\$13,855,317	\$16,831,924	\$17,115,161	\$15,299,601	\$16,055,006	\$16,851,885	\$17,692,545
Total Expenditures	\$49,800,666	\$53,659,255	\$58,664,864	\$59,164,431	\$62,490,514	\$70,021,723	\$72,585,233	\$72,961,949	\$76,216,535	\$80,036,833	\$83,686,924
% change over prior year		7.70%	9.30%	0.90%	5.60%	12.10%	3.70%	0.50%	4.50%	5.00%	4.60%
Revenue over (under) expenditures		\$2,739,998	\$583,290	\$1,978,020	\$1,736,719	-\$864,014	-\$1,178,152	-\$1,847,602	-\$2,463,907	-\$3,827,122	-\$4,951,353

Note: Assumes the following levies: 2008 = 3.6 mills, 2009 = 3.7 mills, 2010 = 3.7 mills, 2011 = 3.7 mills, 2012 = 3.7 mills, and 2013 = 3.7 mills with a 4.0%- 4.25% increase in taxable value each year.

Assumes a health co-pay ranging from 3% to 10%.

Assumes no transfers to the Stabilization fund for 2009-2013 (\$275,000 - \$325,000)

Assumes no transfers from the Delinquent Tax fund for 2007 - 2012 (\$625,000+).

Assumes no new positions.

Assumes State Revenue Sharing payments are restored in 2011.

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?

It is the Mission Statement that guides the answers to these questions. The mission statement assists an organization in easily communicating to a variety of constituents what it does, who it serves, and why it does so.

Mission Statement

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

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

Vision Statement

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

Organizational Values

- 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 citizen 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.

Goals, Objectives, and Outcomes

Under guidance from the mission statement, goals focus the direction of an organization's work. Goals are relatively static in nature, however the objectives that assist in accomplishing the goals are likely to change annually. Outcome measurements are the ultimate indicators of success, measuring the impact of actions conducted to achieve goals and objectives.

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

- Objective:** Continue to advocate that the State of Michigan remain committed to continued revenue sharing payments to counties
- Inform the public of the impact of the loss of revenue sharing
 - Complete the revenue sharing strategy
 - Continue to act at the State level

Measure: State Legislators report understanding of the County's position on the issue and all vote to retain revenue sharing

- Objective:** Identify and develop strategies to address potential financial threats
- Fully fund financial tools
 - Research and develop a plan to address existing and future financial threats which clearly identifies threats and solutions
 - Continue implementation of 2004 budget balancing plan

Measure: Financing tools are fully funded, operational budget deficit is eliminated, and Commissioners approve a strategy to address financial threats

ACTION PLAN: The 2008 budget reflects the continued implementation of the 2004 budget balancing plan (see budget transmittal letter for more details). The amount of one-time dollars (e.g., fund balance) used to balance the budget has been decreasing from a high of \$2.9 million in 2004 to just \$864,000 in 2008. As discussed previously, additional work is underway to address additional identified financial pressures.

In addition, several of the financing tools are contributing significant dollars to operations. 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. With the Grand Haven/West Olive project underway, this fund will be depleted and require the County to bond for a portion of the construction. The Stabilization Fund has been returned to its fully funded status.

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 an envy to 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
2980	Employee Sick Pay Bank
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 \$150,000 - \$175,000 per year.

A plan to alleviate site contamination was approved by the Department of Natural Resources during 2005. As a result, approximately \$1.3 million is expected to be spent in 2008 to add and replace purge wells and provide overall enhancements the groundwater purge and treatment system. 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, these funds will be contributing \$2.5 million 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, with an additional \$371,000 anticipated for Jamestown Township before the end of 2007. As part of the financing plan for the new West Olive and Grand Haven facilities, this fund will also be contributing approximately \$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 will be contributing approximately \$175,000 per year for the anticipated principal and interest payments associated with the bond issue.

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.

Compensated Absences (2980)

Year Established: 1986

Fund Purpose:

The purpose of the Employee Sick Pay Bank 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 have once again been discontinued.

In addition, as part of the financing plan for the new West Olive and Grand Haven facilities, this fund will be contributing approximately \$150,000 per year for the anticipated principal and interest payments associated with the bond issue.

Financial Benefits:

- 1) Operating Transfers to the General Fund.
- 2) Principal and Interest Payments on four bond issues totaling \$2.6 million in 2008.
- 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 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 will be contributing \$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 thirty (30) County departments and indirectly (through operating transfers) significantly affects eight (8) 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 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 reduce reliance on property taxes by providing funds for certain operational expenditures. Beginning in 1998, the Solid Waste Clean-up Fund pays for landfill cleanup expenditures that were paid from the General Fund.

The Public Improvement Fund provides capital for certain building projects in lieu of debt financing while the Delinquent Tax Fund funds payments on four bond issues. Consequently, the General Fund is not obligated to make these bond payments for the life of the issue.

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

Overall Benefits of the Financing Tools (continued)

immediate subtraction from property tax revenues, taking away from other County programs. Thus, the debt payments avoided by the Public Improvement

Fund and funded by the Delinquent Tax Revolving Fund alleviate pressure on the General Fund, freeing up dollars for other County programs.

The Stabilization Fund by law may not earn interest income. Assuming the balance in the fund would be spent elsewhere, the General Fund benefits from the interest income earned by the Stabilization Fund (since it cannot be transferred to the Stabilization Fund).

- 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 .425% of salaries. 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.

Overall Benefits of the Financing Tools (continued)

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 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.

Not purchasing the equipment would result in decreased efficiency, increased personnel needs, and decreased services to the taxpayer.

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 Fitch on General Obligation Limited Tax Bonds. Moody's Bond Rating is Aa1 for General Obligation Unlimited and Limited Tax Bonds. The County itself receives only a small part of the benefit of our high rating.

