

2007 BUDGET
for
OTTAWA COUNTY
GRAND HAVEN, MICHIGAN
www.miottawa.org

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PREPARED BY:
THE FISCAL SERVICES DEPARTMENT

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October 24, 2006

Board of County Commissioners and Citizens of Ottawa County:

Transmitted herein are the 2007 Operating Budgets for County operations. The combined budget, including component units, totals \$212,588,888 and is balanced in that revenues and fund balance in all funds are anticipated to meet or exceed expenditures. The budget is presented in conformance with Public Act 2 of 1968 and in accordance with Public Act 621 of 1978, known as the "Uniform Budget and Accounting Act."

Included in the 2007 document is a User's Reference Guide to assist the reader through the document and address a variety of commonly asked questions and concerns. Also included in the User's Reference Guide is the County's updated strategic plan. Summary information is provided to give the reader a broad overview of the County's 2007 budget. The Revenue Sources section provides information on key revenue sources.

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

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

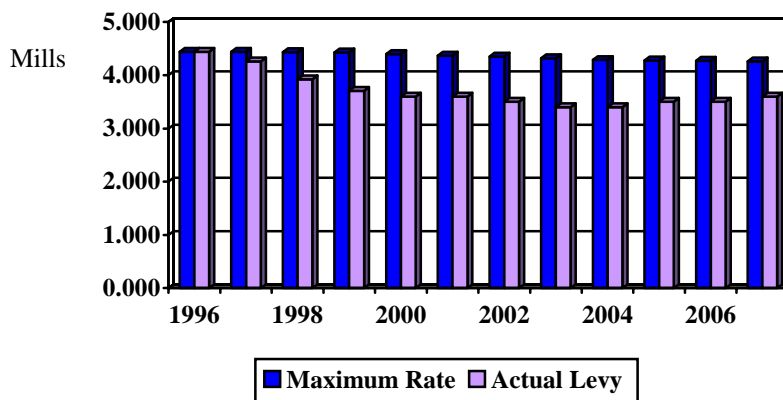
FINANCIAL ISSUES

The 2007 budget process focused on providing quality services and programs amidst continued fiscal challenges. Multiple revenue sources are on a flat or declining trend while certain expenditures are increasing in excess of inflation. In addition, the 2007 Budget reflects the continued implementation of the long term deficit reduction plan developed in 2004. At the same time, the County is cognizant of the uncertainties surrounding future State funding and sensitive to taxpayer contributions.

Major revenue considerations include the following:

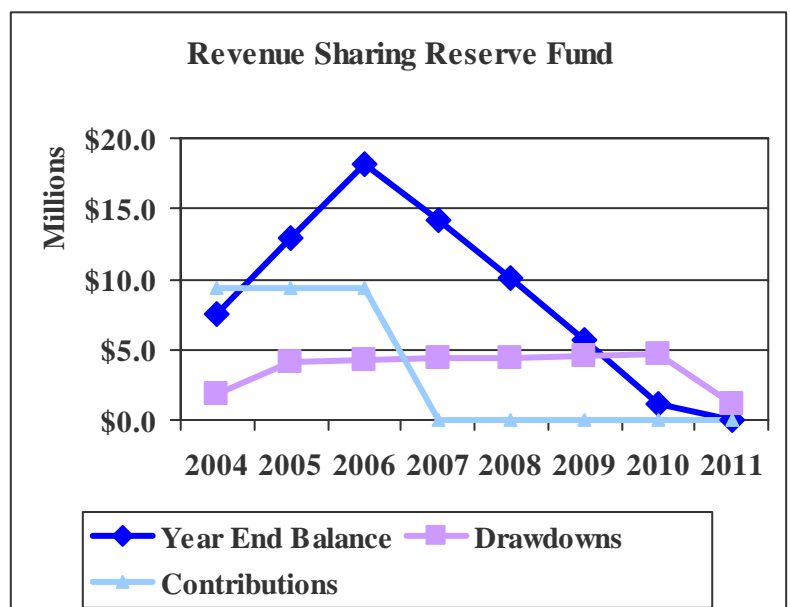
Citizen Tax Burden: Ottawa County has a maximum tax limit of approximately 4.2611 mills for 2007 County operations. Like most taxpayers and other government entities, Ottawa County has suffered from the economic downturn occurring simultaneously with double-digit increases in many expenditures. As a result, the County is increasing its levy from 3.5 mills to 3.6 mills for County operations in 2007. The effect of this increase on the owner of a \$100,000 home is \$5. However, it is important to remember the County still levies well below its maximum authorized millage. **Specifically, the difference in the levy from an estimated maximum of 4.2611 mills to 3.6 mills represents a 16 percent savings to the taxpayers.** This is the eleventh consecutive year that the County has levied less than the maximum. The following graph shows a history of the maximum allowable millage rate for County operations versus the actual levy for budget years 1996 - 2007:

Maximum Allowable Levy vs. Actual Levy



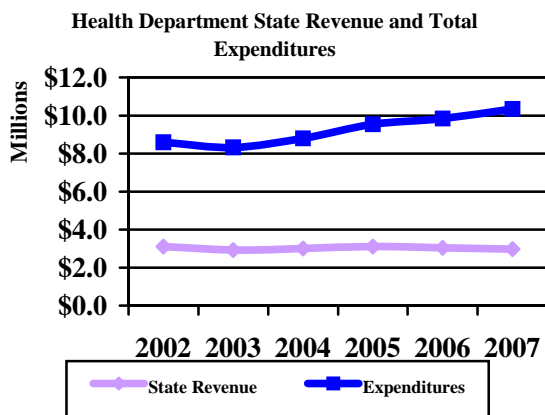
Annual tax revenue growth nevertheless remains steady as a result of increases in our property tax value ranging from 5.36 to 7.52 percent over the last five years.

State Revenue Sharing: In October of 2004, the State of Michigan eliminated State Revenue Sharing payments to counties. To assist counties in preventing the loss of key services, the county property tax levy is being gradually moved up from December to July over three years. Beginning with the December 2004 tax collection, one-third of the levy was placed into the Revenue Sharing Reserve Fund (RSRF) that the County manages and withdraws an amount equal to what we would have received in 2004, plus an annual increase equal to the CPI (Consumer Price Index). With the 2007 budget, the County has completed the move of its levy to July,



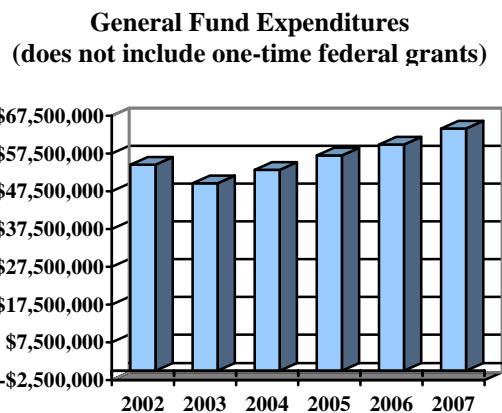
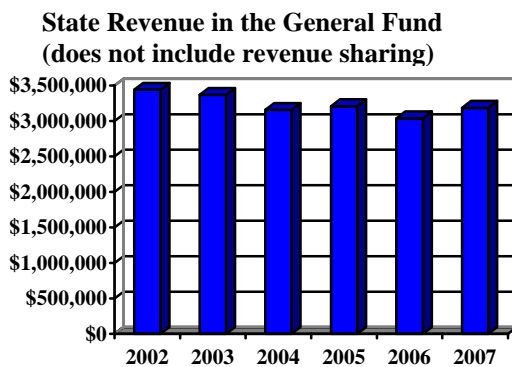
and there will be no more contributions to the fund other than interest. When the County has depleted the Revenue Sharing Reserve fund, the State is statutorily required to reinstate the revenue sharing payments. Ottawa County is projected to deplete its fund in 2011. The projected progress of the fund is reflected in the graph above.

There is significant concern over whether the State will actually reinstate the revenue sharing payments. For Ottawa County, these payments are approximately \$4.1 million. Should the funds not be reinstated, the County would likely face severe program cuts and/or tax increases. Consequently, county administrators, the Michigan Association of Counties, and various other organizations will be working hard to ensure that the payments are reinstated.



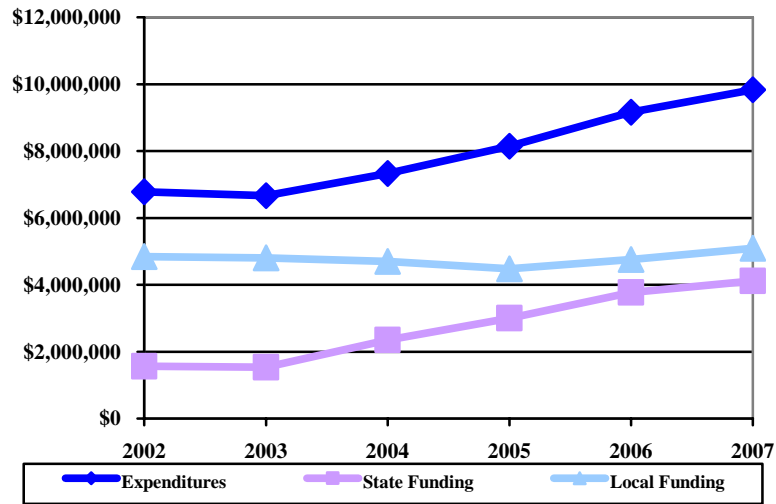
Other State Funding: The State's budget woes are affecting more than revenue sharing payments. The County receives State funding for a variety of programs, and State funding for Public Health programs is one of the hardest hit areas. Decreases in State funding or flat revenue have resulted in the choice between increasing local funding or eliminating these programs. The graph to the left reflects the State funding changes that Ottawa County is experiencing.

In addition, the General Fund has also suffered due to the State's budget problems. The graphs below show that revenue is flat or decreasing while our expenditures have been increasing:

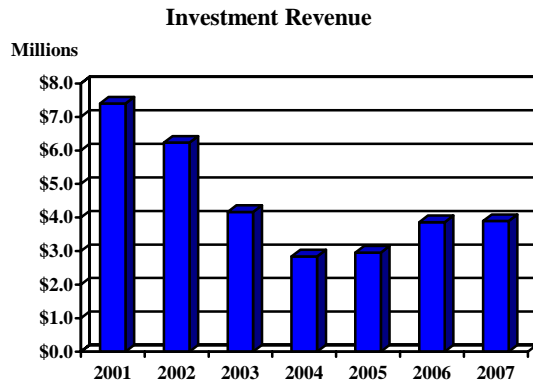


However, the news is not all bad. Specifically, the Juvenile Court continues to make programming changes that allow more of the expenditures to be eligible for State funding through the Child Care Fund. The graph that follows shows the increasing State funding and the steady local funding for Juvenile Court activity.

Juvenile Services Funding



Investment Revenue: Interest revenue includes realized and unrealized capital gains and losses reported through a change in fair value as well as actual interest received. In fiscal year 2001 and prior, the County's portfolio reported significant gains of nearly \$7.4 million dollars (including the Ottawa County Insurance Authority). Over the subsequent 3 years, unrealized capital losses were reported causing a decline in interest earnings while maintaining a positive cash flow in interest revenue. During the 4-year period, interest rates reached an all time low. The County's investment portfolio is laddered over a 5 to 7 year period with an average maturity of 3 years. By laddering the portfolio, the changes in interest rates are averaged in while providing opportunity for swings in fair market value. It is important to note that although the fair value has fallen, the County intends to hold these investments to maturity; therefore, the fair market losses are not expected to be realized. Interest rates and investment revenue are moving up, however they are not expected to reach the 2001 level. The graph above illustrates these trends.



Major expenditure considerations include the following:

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

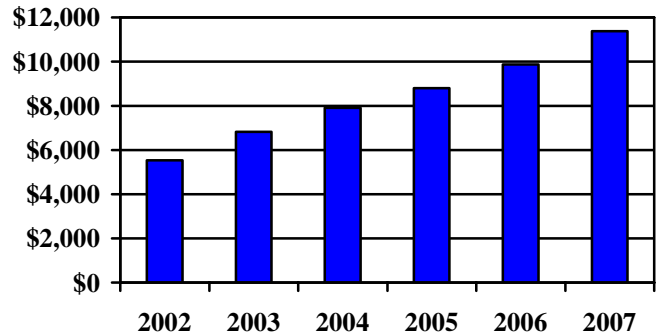
Health Insurance:

Health insurance costs continue to skyrocket. In the last five years, the budgeted cost per employee has increased by 66 percent.

To alleviate the impact of rising fringe benefit costs, the County established self-insurance programs several years ago. These programs have softened the blow of increased benefit costs to departments. Unfortunately, the upward pressure on prescription costs as well as general medical care has necessitated that a portion of these costs be passed on to employees. In fact, employees will be asked to increase their co-pay up to 10 percent of the total actuarially determined cost of the coverage over the next three to five years. In addition, the new Labor Management Cooperation Committee has begun to work on a health care coach disease management plan to help keep claims costs down.

Nevertheless, the self-funded programs are beneficial in that the savings sometimes provide additional dollars for other County services. It is important to realize that cash and retained earnings also need to be maintained in order to have sufficient resources for claims incurred but not reported from these funds. The 2007 budget, and the rate increases therein, provide sufficient retained earnings to continue the viability of these programs into the future.

Ottawa County Health Insurance per Employee



Facilities Cost:

During 2006, construction was completed on the new Holland District Court facility. The new facility is almost 44,000 square feet larger than the previous facility. Actual expenditures to operate the prior facility in 2005 were \$72,000. The 2007 budget for the new facility is \$220,000. Administrative Services is working with utility consultants to try to lower our costs. Since there are no grant-funded departments in that facility, the General Fund is bearing the additional costs.

During 2006, the Board of Commissioners approved a concept plan for an addition to the West Olive facility and a new Grand Haven facility. The estimated cost for the two projects is \$24 million. The County tentatively plans to bond for \$10 million of the cost. The remaining \$14 million is available in the following funds:

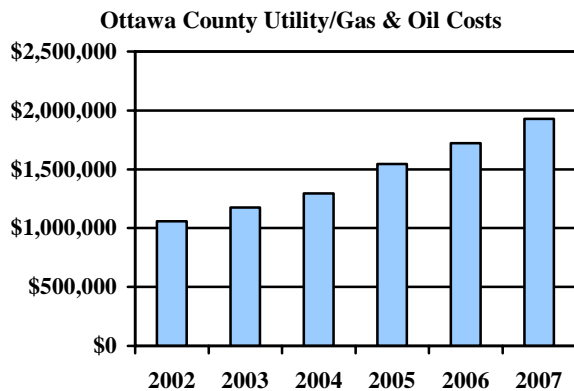
- o General Fund Designation for Buildings \$5,015,000
- o Public Improvement Fund \$3,985,000
- o Public Health \$1,000,000
- o Child Care - Circuit Court \$ 500,000
- o Telecommunications \$2,000,000
- o Equipment Pool \$1,500,000

The County plans to bond for construction costs during 2007. The transfer of these funds to the Ottawa County Building Authority Capital Projects fund is anticipated in 2008. At this point, lower cash balances will impact the investment earnings of these funds by approximately \$350,000 per year.

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

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

Payments are anticipated to begin in the last half of 2007 and continue for 20 years. Although the payments are not anticipated to affect the function of these funds, investment income will be somewhat impacted.



Fuel Prices:

Last, the County is concerned about rising fuel prices. Departments were instructed to budget gas prices at \$3.20 per gallon for 2007. Obviously, the rising fuel prices are expected to impact utility costs for County facilities as well. The graph to the left reflects the rising cost the County is facing as a result of high fuel prices.

Unfunded Mandates: Unfunded mandates are state and/or federally legislated requirements which result in financial obligations on local governments without corresponding revenue. The concern over unfunded mandates was identified in the County’s Strategic Plan and continues to be monitored as new legislation is considered. During 2005, a study of mandated and non-mandated services was completed which identifies specific functions in each department that are mandated, non-mandated but necessary and non-mandated discretionary. During 2006, departments were asked to assign costs to the discretionary services. The study will be used as a basis for future budget discussions.

Balancing the 2007 Budget: The upward pressure on expenditures combined with decreasing revenue results in a deficit for the 2007 General Fund. In the budget as submitted by departments, expenditures exceeded revenues by over \$4 million, not including personnel requests. Administration took a three-pronged approach to balance the budget which includes reducing expenditures, slightly increasing the tax rate, and using some fund balance. The additional one –tenth of a mill to 3.6 mills provides an additional \$945,000 in funding. The original 5-year deficit reduction plan included a levy of 3.7 mills for 2007, so the actual levy of 3.6 mills indicates a positive trend in County finances. In addition, the County receives approximately \$880,000 from the State of Michigan from the Convention Facility tax. By law, 50 percent of this revenue must be used for substance abuse prevention. In previous years, the

County strived to also use the other 50 percent for substance abuse prevention. Historically, not all of the money was used each year and had been set aside in the General Fund's designated fund balance. In the 2007 budget, the County is using the remaining 50 percent to assist in funding Health department programs, providing \$440,000 in additional revenue.

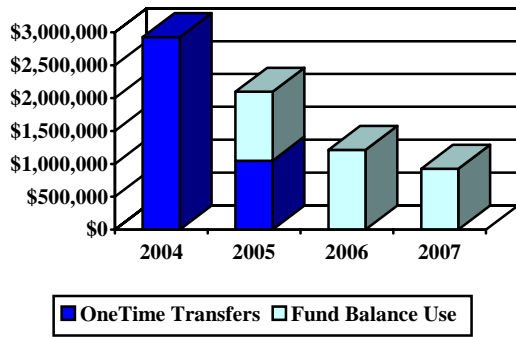
Expenditures were decreased by \$1.46 million. Due to budgetary constraints no new personnel affecting the General Fund's budget were approved. Second, the amount budgeted for contingency was reduced. County operating budget policies advise the County to budget 1 percent - 2 percent of the General Fund actual expenditures for the most recently audited year. In the past, the County has used 2 percent. Since historical usage has been much lower, the County budget for contingency has been reduced to 1 percent of the General Fund expenditures of 2005. This reduced expenditures by \$553,000.

In addition, the County reviewed historical budget versus actual expenditures in personnel services. Employees have the option to not take health insurance and receive a payment of \$500 per year. This reduces departmental charges for health insurance by nearly \$10,900 per full time equivalent. Based on the current number of employees who opt out of insurance, the General Fund would save \$341,000 in 2007. To be conservative, the County reduced the General Fund 2007 budget by \$200,000. In addition, the Health fund is budgeted to use \$100,000 of fund balance, but based on the number of employees who opt out of health insurance, it should not need to use fund balance. This reduced the General Fund's operating transfer to the fund by \$100,000.

Last, Administration and departments worked together to reduce expenditures by \$608,000. First, Administration identified a net of \$200,000 in reductions. These reductions should have minimal effect on operations. Next, Information Technology was asked to revisit 2007 equipment requests for additional reductions, and this resulted in approximately \$57,000 in savings. In August, Administration requested departments to take one more look at expenditures and provide additional reductions to the County. With this last request, an additional \$350,000 in reductions were offered by departments.

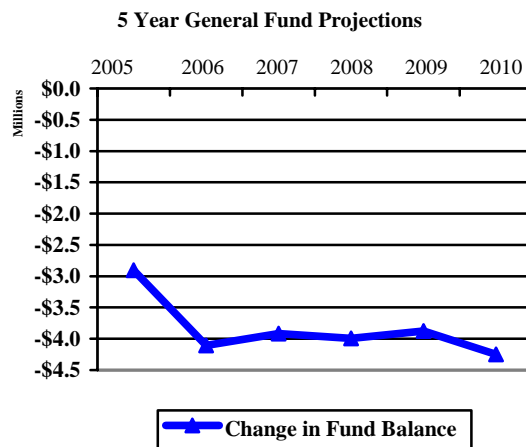
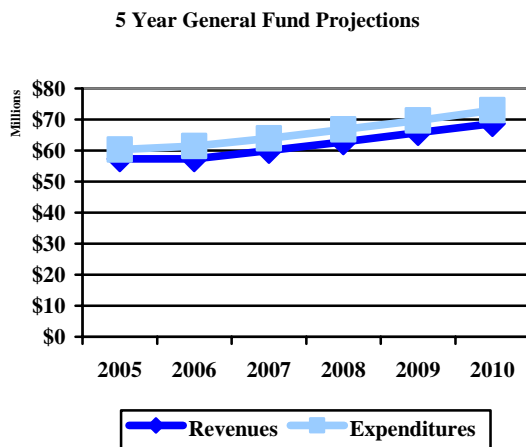
The third prong of the budget balancing strategy is the use of one-time dollars such as fund balance or operating transfers from other funds. The 2007 budget includes fund balance use of \$925,000. This compares favorably to the budgeted fund balance use with the 2006 Adopted Budget of \$1.2 million. Clearly, the County is headed in the right direction. Moreover, the amount budgeted to come out of undesignated fund balance, \$925,000, is only 1.4 percent of total expenditures. Historically, at year end, the County has come in under budget by a greater percentage. **Consequently, the County does not anticipate a reduction in undesignated fund balance at the end of 2007.** This strategy has been chosen to avoid unnecessary tax increases and program reductions. **Equally important, the 2007 Budget does not include any one-time transfers from other funds to cover the operational deficit.**

General Fund Budget Balancing Strategies



In fact, the County has been able to significantly decrease its use of fund balance and one time dollars over the past few years. Specifically, the 2004 Budget as adopted included one-time transfers of \$2.9 million for operations. With the 2007 Budget, the only non-recurring funding source is budgeted fund balance use of \$925,000.

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



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

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

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

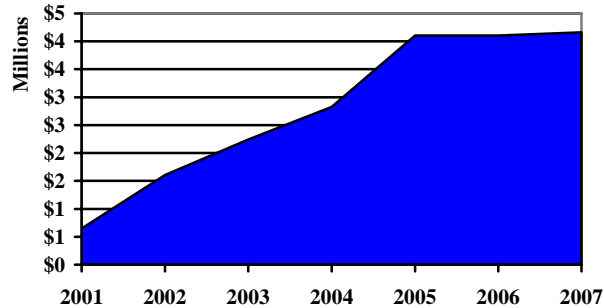
- Raise the operating millage levy .1 mill in 2005, 2006, and 2007.
- General Fund hiring freeze for new full-time positions in 2006
- Increase employee health insurance co-pay from 3% to 10%

- Improve disease prevention and management to reduce health care costs
- Review and rank discretionary services for possible reductions

The County has made significant progress with these strategies. The tax levy was increased by .1 mill in 2005, but the County determined they could delay the additional .1 mill increase planned for the 2006 Budget. The rate is increasing by just .1 mill with the 2007 Budget. However, the difference between what the County could levy and will levy remains at a healthy \$6.45 million.

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

Cumulative Cost of Personnel Added During the Budget Process

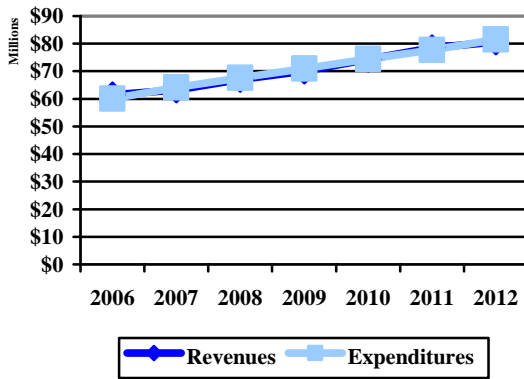


The graph above shows that in just five short years, the cumulative cost of personnel additions has grown to \$4.1 million per year. Due to continued budget concerns, the hiring freeze was extended into the 2007 Budget. No new positions that affect the General Fund budget are included in the 2007 Budget. However, personnel may be requested during the year and will be considered if the requests do not affect the General Fund budget or are the result of new/expanded facilities.

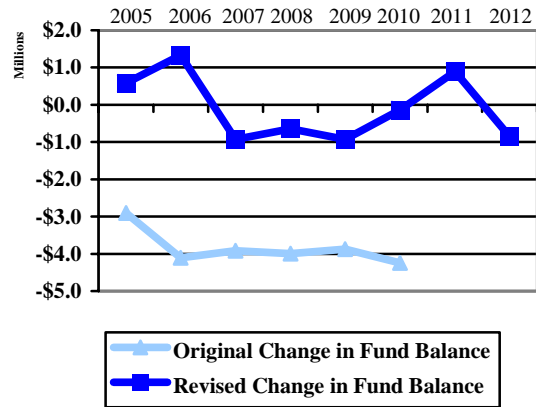
The 2006 insurance co-pay for employees not represented by bargaining units increased from approximately 4.6 percent to 6 percent of the actuarially determined cost effective January 1, 2006. Effective January 1, 2007, this co-pay will increase to 7 percent. The County's negotiating team has included these co-pay increases in the contracts of most of the County's bargaining units. For most bargaining units, the current contract expires 12/31/08.

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

General Fund Projections - Revised



General Fund Projections - Revised



Once the projections are adjusted, the County appears headed in the right direction. Revenues and expenditures trend more closely and the fund balance use is reduced.

Unfortunately, other concerns have come to light that may necessitate additional response. Currently, the State of Michigan has not advanced a plan to reinstate revenue sharing payments to counties upon the depletion of their Revenue Sharing Reserve funds. Ottawa County's Revenue Sharing Reserve Fund will be depleted in 2011. The current payments from the Revenue Sharing Reserve Fund approximate \$4.1 million. If Revenue Sharing is not reinstated, program cuts are likely.

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

The other concern the County is addressing is Other Post Employment Benefits (OPEB). Beginning in 2008, the Governmental Accounting Standards Board will require the County to report the portion of OPEB that has not been funded on the financial statements. For Ottawa County, the majority of the estimated actuarial OPEB liability is the result of the implicit subsidy the County provides by allowing retirees to buy health insurance at the weighted average rate. In addition, the County also provides a credit on health insurance premiums based on years of service. The preliminary actuary report estimates the *net* annual costs to fund the liability at approximately \$2 million per year. The County is exploring ways both to fund and reduce the liability. As we explore other cost cutting options, the County can be confident that its financial outlook is strong.

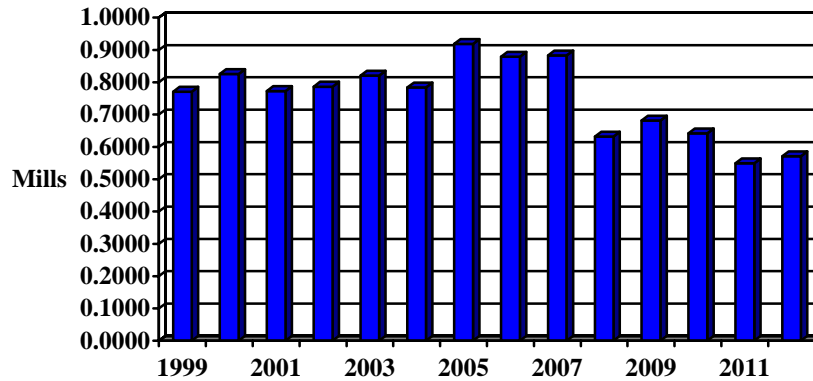
In addition, as budgeting becomes more problematic, it is important to have alternate funding sources available. Long-term financial planning is addressed extensively in the County's Strategic Plan. The County Board adopted fiscal policies and procedures which specifically

address the County's long-term financial needs through various Financing Tools which partially provide alternative funding sources. Funding provided by the Financing Tools for the 2007 Budget is as follows:

- Solid Waste Clean-up Fund (2271) is continuing to pay the clean-up costs on the Southwest Ottawa Landfill (\$152,000). In addition, the State of Michigan approved the County's plan to recap the landfill and upgrade the groundwater purging system. The 2007 Budget includes \$1.6 million to complete the groundwater purging system upgrade that began in 2005. The balance of the funds for the landfill capping will be reimbursed from the Ottawa County, Michigan Insurance Authority.
- Infrastructure Fund (2444) is estimated to have approximately \$350,000 in cash available for projects requested by municipalities at the start of 2007. In 2004, the fund made loans to Allendale Township to construct municipal utilities for a new development. The Board also approved giving the Road Commission \$600,000 toward the construction of a new bridge on River Avenue in the City of Holland. In 2005, the fund loaned Tallmadge Township \$950,000 for an infrastructure project. In 2006, the fund loaned the City of Coopersville \$500,000. An additional \$371,000 is planned to be distributed in 2006 for infrastructure improvements in Jamestown Township. In 2007, the fund will also contribute approximately \$34,500 towards the Grand Haven/West Olive expansion project for debt service payments. In 2008 and beyond, the fund will provide approximately \$125,000 per year for the debt service requirements.
- Public Improvement Fund (2450) does not include any construction costs in its 2007 budget. However, the 2007 budget does include a portion of the estimated debt service payments for the planned bond issue in 2007 for the Grand Haven/West Olive project (\$48,300). In 2008, the fund will continue to help with the debt service payments by providing approximately \$175,000 towards the debt service requirements. In addition, in 2008, the fund will also contribute approximately \$4.5 million towards the construction costs of the Grand Haven/West Olive expansion project. The use of this cash effectively allows us to borrow less, limiting annual debt service payments.
- Stabilization Fund (2570) is providing the General Fund with \$380,000 in interest earnings. In addition, the fund provides additional flexibility to deal with unexpected occurrences that have the potential to negatively impact finances.
- Delinquent Tax Revolving Fund (5160) is funding bond payments of \$2.4 million on four bond issues.
- Duplicating (6450), Telecommunications (6550), and Equipment Pool Funds (6641) provide equipment replacement and enhancement funding. The total amount of equipment requested from these funds in 2007 is just over \$1.8 million. In addition, the Telecommunications and Equipment Pool Funds are providing \$2 million and \$1.5 million, respectively, for construction costs on the Grand Haven/West Olive project. Telecommunications also includes \$41,400 in its 2007 Budget for estimated debt service on the Grand Haven/West Olive project. From 2008 forward, the fund will contribute approximately \$150,000 per year for debt service requirements.

The Financing Tools play a major role in reducing our tax levy. The amount for 2007 equates to 0.8825 mills. The graph that follows shows the benefits, in lieu of millage, that the financing tools provide:

Summary of Financing Tools Benefits Equated to Mills

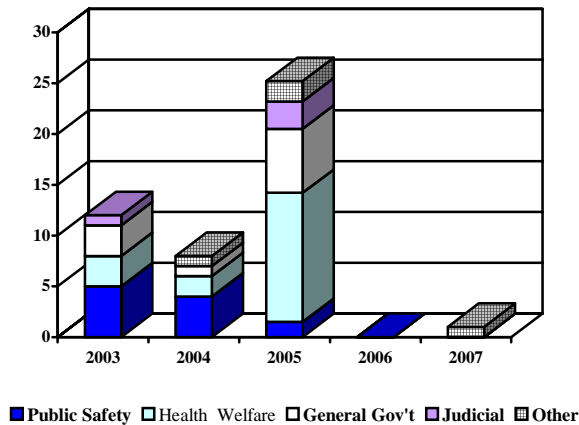


PROGRAMMATIC ISSUES

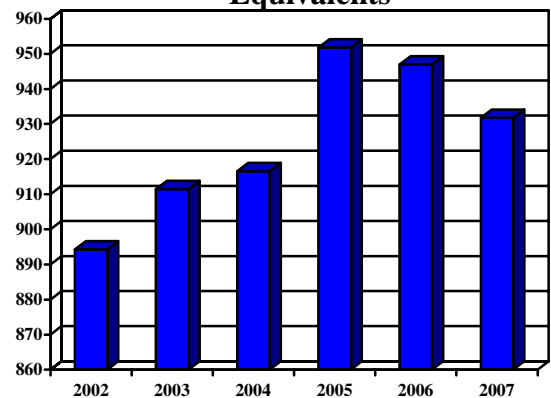
Staffing Needs: Every year, the budget process produces requests for additional employees from departments. Since Ottawa County is one of the fastest growing counties in the State of Michigan (with a population growth of over 50,000 during the past 10 years), additional service demands have been recognized. Unfortunately, due to the budgetary concerns of recent years, the County imposed a General Fund hiring freeze for both the 2006 and 2007 budgets. The hiring freeze affected requests for new permanent, full-time positions that would represent a net increase in General Fund expenditures unless the position is required for a new facility.

In addition, some positions are approved during the year as the need arises, especially grant positions which are sunset at the end of the grant. The graphs that follow show the increase in total full time equivalents in the County for 2002-2007 added through the budget process and the total number of full time equivalents for 2002 – 2007:

Positions Added by Function 2002-2007



Ottawa County Full Time Equivalents

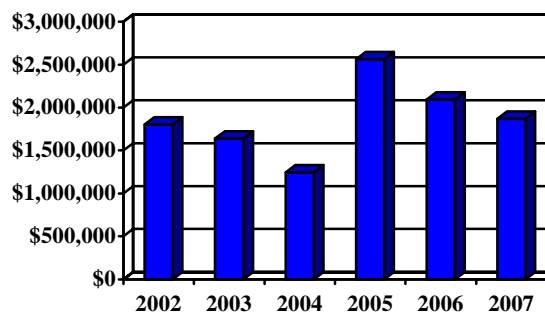


The decrease in 2007 full time equivalents reflects plans to replace vacant positions with contractual employees where economically feasible.

Equipment/Technology Needs: The Ottawa County Strategic Plan addresses the County's equipment and technological needs. Technology is particularly important in a growing county like Ottawa because it allows the County to do more with fewer employees. In many cases, the County, through the implementation and use of technology, has delayed or eliminated the hiring of additional staff. The 2007 Budget includes approximately \$1.8 million for equipment and technology needs.

The following graph shows the dollar amount of equipment added each year from 2003 to 2007 during the budget process:

History of Approved Equipment



The County is implementing three major technology projects. Beginning in 2005, the County contracted with Technology Professionals Corporation to design a web-based case management system for its Juvenile division. The 2007 Budget includes a consultant to work within the County's Information Technology department to provide a "knowledge transfer" to County staff for the purpose of maintaining the system. In addition, further enhancements will be made to eliminate dual entry of records, integrate the system with the existing County Justice system and other various enhancements.

In addition, the funds will be used to develop a module for juvenile detention services. Currently, there are very few tools available to evaluate detention services. The tools that do exist are essentially manual and labor intensive. The detention module is expected to streamline processes, reduce paperwork, increase access to information and track data to show trends. The outcome of the project is to increase efficiency and improve communication between Detention and other agencies. The 2007 Budget includes \$460,000 in total for the initiative.

Second, the County has initiated a major enhancement to the County website. This project will upgrade and standardize the existing web site and expand its capabilities to include services currently only available to walk in customers. By making services available via the internet, the County will realize economic benefits by reducing demand on customer service staff. Further, the County will provide enhanced service while reducing the cost to the public by making these services available at their home or place of business. The following services are already available on the web page or are anticipated to be available before the end of 2006:

- Dog License Lookup
- Home Security Check Request
- Discount Prescription Drug Plan Enrollment
- Public Comment and Polling Capability
- Register of Deeds Component of Property Information System Application
- Automatic Publishing of Circuit and Probate Court Schedules
- Secure Area for Local Emergency Management Professionals
- Circuit Court Fee Payment
- Family and Juvenile Court Fee Payment
- Publishing of Restaurant Inspection Reports
- Online Dog License Renewal
- Parks Reservation System

In addition, the following services are anticipated to be added during 2007:

- Environmental Health Permits and Applications
- Court Name Search
- New Business Listing
- GIS Map Store
- Election Results Publishing
- Marriage and Death Record Order

Already, the site has proven to be quite popular with over 800,000 hits in the month of August, 2006. The table below shows the expanded use of the website:

	Page Views	Total Hits	Visits	Document Downloads	Property Searches	E-Commerce		
						Accident Reports	Tax Search	Deeds Documents
Sep- 05	62,016	301,844	22,130	5,070		n/a	n/a	n/a
Oct- 05	53,710	249,671	21,145	3,223		n/a	n/a	n/a
Nov- 05*	115,880	575,830	27,079	11,663	5,121	n/a	n/a	n/a
Dec- 05	109,309	526,306	26,587	11,336	4,643	n/a	n/a	n/a
Jan- 06	104,927	602,927	38,547	15,232	6,545	7**	427	n/a
Feb- 06	94,465	547,859	38,972	16,411	6,247	77	414	n/a
Mar- 06	121,253	699,716	50,793	30,748	7,761	82	1,024	n/a
Apr- 06	105,295	607,063	44,284	25,339	6,565	60	1,077	19
May- 06	113,998	669,761	5,035	27,889	7,070	105	1,430	39
Jun- 06	116,503	694,416	52,713	28,067	7,910	89	2,087	42
Jul- 06	121,581	724,809	54,155	30,598	8,118	90	7,397	54
Aug- 06	131,067	807,544	53,904	39,315	7,755	121	1,352	62

Total Year- to- Date Revenue: \$18,292

* First full month of operation for miOttawa.org

**Accident Reports available for less than 1 week of the month

Last, the County is in the process of establishing a court imaging program. Approved by the Board of Commissioners on October 25, 2005, the implementation of the Justice Document Management Imaging System (JDMIS) is making steady progress. The numerous steps that occur in each department include backfile scanning and indexing, day forward scanning and indexing, Workflow definition, Functional Specification development, Workflow design and implementation. Cross departmental workflows will be defined, specified and designed when multiple departments are on the system. To integrate imaging into the existing information systems environment, the County has completed interfaces between the imaging system and the County Justice System, State JIS System (Probate) and MiCSES (Friend of Court).

Department status is as follows:

Circuit Court Records: Backfiling, Day Forward (Started March 2006), Workflow definition
Friend of Court: Backfiling (Reindexing in process), Day forward (Started May 2006), Workflow Definition, Functional Specification (first review)

Prosecuting Attorney: Workflow definition, Functional Specification.

District Court: Backfiling (Indexing 30%), Day Forward Scanning (started June 2006).

Probate: Backfile Scanning Initiated.

Sheriff: Workflow being defined, Conversion testing of current imaged documents in process

The current count of documents and pages scanned into the system are 671,000 documents and 1.5 million pages.

Although the full benefits of the system will not be realized until the system is fully implemented, some efficiencies have already been recognized. Internal departments are able to view the imaged court records online rather than get a copy from the current record holder or wait for the hard copy file to be delivered to their office. In addition, the ability of Circuit Court Records to satisfy document requests by e-mailing imaged documents rather than printing and sending these documents via regular mail is also a recognized efficiency.

BOARD GOALS

Several goals and priorities were identified for the Board of Commissioners to address over the next six to thirty-six months. These concerns involved several different programs and areas. The section that follows discusses goals that are specifically addressed in the 2006 or 2007 Budget.

Financial Stability:

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

Objective: Continue implementation of the budget balancing plan

Objective: Acquire an actuarial estimate of Other Post Employment Benefits (OPEB) liabilities

Objective: Develop a plan to address OPEB and other legacy costs and liabilities

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

2006/2007 Budget Ramifications: With the 2007 Budget, additional progress has been made on the projected operational deficit. The 2007 Budget does not include any one-time transfers from other funds to help balance the budget. Although the 2007 Budget reflects an undesignated fund balance use of \$925,000, the County does not anticipate an *actual* fund balance use based on past expenditures patterns. In fact, the 2007 Budget fund balance use figure is smaller than the fund balance use originally adopted in 2006. In addition, the 2006 hiring freeze was extended into 2007 for positions affecting the General Fund. As advised in the deficit reduction plan, the millage levy was increased slightly and expenditure budgets were reduced.

Also, during 2006, the County received a preliminary actuarial report for the OPEB liability. The 2007 Budget includes funds for an updated study. Currently, Administration and the Board are studying ways to lower and fund the County's liability. To address the last objective, the 2007 Budget also includes \$42,000 for a lobbyist to represent the County on legislative matters.

Communication:

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

Objective: Consider and implement new methods of communications

Objective: Identify and implement methods of communicating with employee groups

Objective: Strengthen role in state and national professional organizations

Objective: Encourage County representatives to seek leadership positions

2006/2007 Budget Ramifications: The 2007 Budget includes \$220,000 for website development as discussed previously under "Technology." In addition, \$30,000 is budgeted for a second employee survey (the first survey was done in 2005). The 2007 Budget includes \$15,000 for an annual report, \$1,000 for a local unit newsletter, and \$1,000 for an employee newsletter.

Last, Commissioner Cornelius Vander Kam currently serves as Past President on the board of the Michigan Association of Counties, and many other County Commissioners and employees hold positions on state and national professional association boards and committees.

Quality of Life:

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

Objective: Continue implementation of the Urban Smart Growth Demonstration Project

Objective: Discuss and act upon road policy issues as appropriate

Objective: Consider opportunities to establish a county-wide land use and economic development planning organization

Objective: Provide quality County facilities throughout the County

2006/2007 Budget Ramifications: The 2007 Planning Commission budget (Fund 2420) includes \$70,000 for the completion of the urban growth study for the County. In addition, the 2007 Planning Commission budget includes \$12,500 for collaborative efforts with municipalities to conduct transportation studies. The Transportation fund reflects an anticipated \$200,000 grant to provide transportation to work for eligible clients.

The Planning Commission budget includes \$25,000 for economic development attraction. The Planner/Grants budget in the General Fund (1010-7211) also includes nearly \$49,000 for the County's economic development consultant.

During 2006, the Board of Commissioners approved the concept and funding plan for the new addition to the West Olive facility and the construction of the Grand Haven facility. The Building Authority Capital Projects fund reflects the \$10 million bond issue and anticipated construction costs for 2007. The corresponding debt service funds also reflect the associated debt service payments that will be added as a result of the initiative.

In addition, because of the rapid growth in the County, concern over green space and waterway access has become increasingly important. The 2007 Parks and Recreation budget includes a .3165 mill levy for park development, expansion and maintenance. The 2007 Budget includes a total of \$2.8 million for land acquisition and capital improvements to existing properties.

Administration:

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

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

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

Objective: Continue implementation of outcome-based performance measurement system

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

2006/2007 Budget Ramifications: The 2007 Human Resources budget (1010-2260) includes \$60,000 for management studies of County departments to identify opportunities for improvements in service delivery and efficiency. In addition, beginning in 2005, the County has been contracting with Technology Professionals Corporation to develop a web-based case management system for the Juvenile Division of Family Court. As mentioned earlier, the 2007 Child Care Fund budget (Fund 2920) includes an additional \$460,000 for consultants to work in the County's Information Technology department to develop a module for Juvenile Detention and provide other enhancements meant to eliminate duplicate keying with the current Justice system. As part of the contract, Technology Professionals will facilitate the knowledge transfer to the County's Information Technology staff so that the system can be maintained in-house. The State of Michigan will be paying 50 percent of this cost of this initiative.

The Planning Commission budget (Fund 2420) includes \$2,000 to provide basic training seminars for the local units. In addition, during 2006, the Sheriff's department established a contract with the City of Hudsonville to provide police services. The 2007 Budget for these services (1010-3120) is \$438,000 and reflects significant savings for the City of Hudsonville.

Also during 2006, the County hired a consultant to provide one-on-one training for departments on goals, objectives and performance measurement. This was done to help departments develop outcome based measures to replace the output measures currently reported.

Although this is a work in process, the 2007 performance measures represent a step in the right direction. With the 2007 Budget, significant progress was made in matching performance measures to goals and objectives. Targets have been established and will be tracked over time.

In addition, during the 2007 Budget process, the County reviewed its policies regarding the Convention Facility Tax funding. By law, 50 percent of the funds must be used for substance abuse programs. Previously, the County had also designated the other 50 percent for substance abuse funding. Based on historical spending and program evaluation of existing programs, the County is ending its designation of the 50 percent not required to be used for substance abuse. Instead, in the 2007 Budget, the County is allocating the 50 percent of the Convention Facility Tax funds not required to be used for substance abuse (\$440,000) to Public Health programs.

BUDGET SUMMARY

The 2007 Budget reflects the on-going implementation and refinement of the action plans addressed in the Ottawa County Strategic Plan. Many of the fluctuations between the 2006 and 2007 Budgets are the result of the concerns previously discussed. Financial highlights and fluctuations of the 2007 Budget as compared to 2006 follow.

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

Source	2006 Amended Budget	2006 Percent of Total	2007 Proposed Budget	2007 Percent of Total	Percent Increase (Decrease)
Taxes	\$49,103,966	33.4%	\$41,395,862	33.1%	(15.7)%
Intergovernmental Revenue	54,143,088	36.9%	53,800,986	35.2%	(0.6)%
Charges for Services	11,692,411	7.9%	11,980,709	7.8%	2.5 %
Fines and Forfeits	1,075,600	0.7%	1,104,600	0.7%	2.7 %
Interest on Investments	2,105,464	1.4%	2,577,529	1.7%	22.4 %
Rental Income	6,283,712	4.3%	6,863,197	4.5%	9.2 %
Licenses and Permits	753,680	0.5%	756,610	0.5%	0.4 %
Other Revenue	1,471,091	1.0%	1,382,821	0.9%	(6.0)%
Operating Transfers In	17,609,660	12.0%	17,922,802	11.7%	1.8 %
Bond Proceeds	0	0.0%	10,000,000	6.5%	n/a
Fund Balance Use/(Contribution)	2,849,732	1.9%	5,399,350	(2.6%)	89.5 %
Total Revenues	\$147,088,404	100.0%	\$153,184,466	100.0%	4.1 %

Taxes serve as the primary revenue source for the General Fund, E-911, and Parks and Recreation Fund. The 2007 tax revenue budget includes levies for the following purposes:

	<u>Millage for 2006 Budget</u>	<u>Millage for 2007 Budget</u>	<u>Difference</u>
General Operations	3.5000	3.6000	.1000
E-911	.4411	.4407	(.0004)
Parks and Recreation	<u>.3168</u>	<u>.3165</u>	<u>(.0003)</u>
	4.2579	4.3572	.0993

The actual millage rate is higher, but the tax revenue is decreasing by 15.7 percent. The reason for the decrease in tax revenue is that contributions to the Revenue Sharing Reserve Fund (Special Revenue Fund 2855) will be completed in December of 2006. These contributions totaled \$9.3 million per year for 2004, 2005, and 2006. If we factor these payments out, tax revenue is increasing by 4.1 percent- still less than the increase in the estimated taxable value. The reason the percentage increase seems low relates to levies made for the Revenue Sharing Reserve Fund. The Revenue Sharing Reserve fund was funded by a portion of the millage collection over a three year period. In the enabling legislation, the State specified both the tax rate and the amount to be deposited into the Revenue Sharing Reserve fund. Since taxable value grows every year, there were additional dollars from the levies made for the Revenue Sharing Reserve fund, and these dollars stayed in the General Fund. 2006 is the last year levies were made for the Revenue Sharing Reserve fund. In 2006, the excess tax revenue generated from the Revenue Sharing Reserve fund levy amounted to \$1.7 million. If we factor out the excess from the Revenue Sharing Reserve fund levy in 2006, taxes are increasing 8.8 percent.

Intergovernmental Revenue represents 35.2 percent of the Governmental funds revenue budget and is decreasing slightly. However, there are several areas of fluctuation. Major fluctuations by fund follow.

Mental Health	1,590,495
Transportation Fund	200,000
Sheriff Grant Programs	(1,214,000)
Sheriff Contracts with Municipalities	583,000
Workforce Investment Act (WIA) funds	(1,685,000)
Child Care – Circuit Court	345,000

In the Mental Health fund, Medicaid revenue is increasing due to a higher number of participants and higher expenditures (due to inflationary factors). State of Michigan revenue is higher because the 2007 Budget includes carry forward dollars from 2006.

In the Transportation Fund, a \$200,000 grant is anticipated from the State of Michigan to provide enhanced public transportation services for “Transportation to Work” clients. In the Sheriff Grant Programs, intergovernmental revenue is falling to reflect the end of the Homeland Security Equipment grant.

The Sheriff’s department contracts with several municipalities and school districts to provide community policing services. During 2006, the County entered into a new agreement with the City of Hudsonville. The contracts pay a large portion of the costs associated with the services provided. Consequently, the remainder of the increase in intergovernmental revenue is due to increasing wage and fringe benefit costs.

Workforce Investment Act (WIA) programs reflect a decrease because funding is uncertain. Continuing with the County's budgeting philosophy, nothing is budgeted in these funds until grant notification from the State is received. In addition, the 2006 figures may include grant carry forward revenue from prior years which are not budgeted in 2007 as the County does not have approval for those carry forward revenues at this time.

Intergovernmental revenue in the Child Care Fund is increasing as we continue to move more children out of State institutions and back into the community. There is no revenue associated with State institutions cost because the State already reflects its share of costs in the amount it charges the County. Consequently, when the type of care changes from State institutions to community programs, expenditures decrease and revenues increase. In addition, the 2007 Budget reflects anticipated State reimbursement of \$230,000 (50 percent of the total cost) for the technology initiative discussed earlier.

Charges for Services revenue, at just under 8.0 percent of total revenue, is increasing slightly. However, there are some significant fluctuations within the General Fund. Specifically, revenues derived from the indirect cost study are increasing by \$535,000. The revenues from this line can vary from year to year depending on changes in the allocation by department and the total costs to be allocated. Indirect costs allocated to the District Court increased due to the renovation and expansion of the Hudsonville facility and the resulting roll forward adjustment (roll forward adjustments reflect the difference between the amount previously allocated and the actual costs). Court filing fees in the District Court are increasing \$168,000 due to increases in caseload. However, revenue in the Register of Deeds office is projected to decrease \$298,000. As interest rates rise, the refinancing of mortgages occurs less frequently.

Rent Income is increasing due to the two new Building Authority projects. There are lease agreements between the County and the Building Authority that authorize rent charges to the County that pay for the debt service payments on the projects. The corresponding revenue, rent income, is reflected in the Building Authority Debt Service fund. 2007 is the first full year of payments on the Holland District Court facility bond issue. In addition, the County anticipates \$207,000 in interest payments on the Grand Haven/West Olive project from the bond issue planned for 2007.

Interest Income is projected to increase by approximately 22.4 percent in 2007. The average return on the County's investment pool was budgeted to be .5 percent in 2006 (due to anticipated declining market value of held investments), but the return is budgeted to be 2.5 percent in 2007. Although the County plans to begin construction on the new Grand Haven/West Olive facilities in 2007, construction expenditures during 2007 will be paid with bond proceeds. Decreases in cash balances reflecting the County-funded portion of the project are anticipated in 2008.

Bond Proceeds/Proceeds from Refunding bonds revenue is \$10 million in 2007 to reflect the anticipated bond issue for the Grand Haven/West Olive project.

Fund Balance usage varies significantly both in the Revenue Sharing Reserve fund and as a result of capital projects. 2006 is the last year of contributions to the Revenue Sharing Reserve

Fund, so fund balance in that fund was budgeted to *increase* by \$5.3 million in 2006. However, in 2006, construction has been completed on the Holland District Court facility, requiring fund balance use of \$2.3 million. The Parks and Recreation fund is also budgeted to use \$1 million in fund balance for land purchases and improvements to County parks. Solid Waste Clean-up is budgeted to use nearly \$2 million in fund balance in connection with the recapping of the landfill. The Infrastructure Fund is providing \$600,000 towards the construction of the River Avenue bridge in Holland.

In 2007, the budget shows a fund balance use of \$5.4 million. Most of this relates to the Revenue Sharing Reserve fund. Since 2006 was that last year of contributions into this fund, the fund balance of this fund will continue to decrease through 2011. The 2007 fund balance use in the Revenue Sharing Reserve Fund is budgeted at \$4.1 million. As in 2006, there is a handful of funds *budgeted* to use fund balance for operations in 2007:

<u>Fund</u>	Budgeted Fund Balance Use for 2007
General Fund	\$925,000
Health	100,000
Community Corrections	100,000

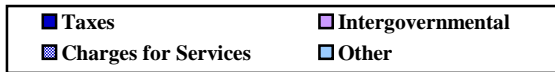
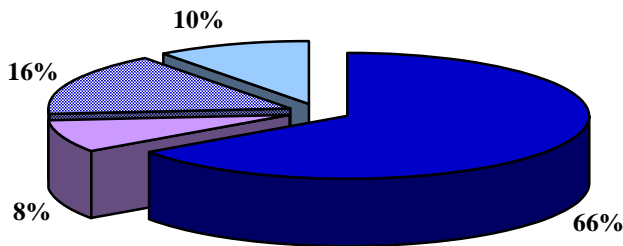
Again, however, **the County does not anticipate having to use undesignated fund balance in 2007. It is important to note that the undesignated fund balance will be maintained at the level indicated by County’s financial policies (10% - 15% of the actual expenditures of the most recently completed audit).**

In addition, the Solid Waste Cleanup Fund is expected to spend \$1.6 million for the completion of the landfill recapping. The Child Care Fund is budgeted to use \$230,000 for consultant work on the Justice Information Technology system as it relates to juvenile functions. However, not all of the bond proceeds anticipated in 2007 will be spent by year end. Consequently, fund balance in the Ottawa County Building Authority is budgeted to increase by \$706,000. Since no major construction is planned out of the Public Improvement Fund, fund balance will increase primarily by the rent payments that go into the fund (\$963,000).

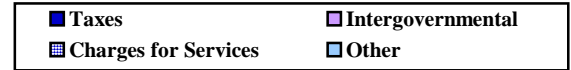
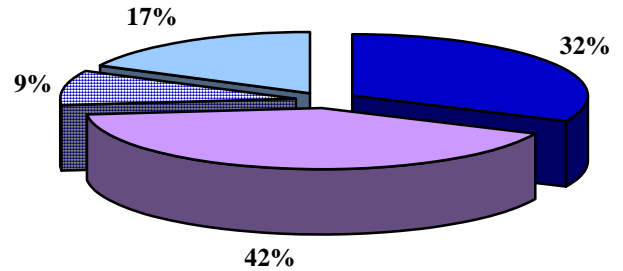
Revenue Summary

The graphs that follow summarize the revenue composition of both the General Fund and the County (primary government) as a whole:

General Fund Revenue Composition



Total Governmental Funds Revenue Composition



The graphs show that although property tax is the chief revenue source for the General Fund, intergovernmental revenue is the largest revenue source for the County budget as a whole.

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

Source	2006 Amended Budget	2006 Percent of Total	2007 Proposed Budget	2007 Percent of Total	Percent Increase (Decrease)
Legislative	\$564,656	0.4%	\$632,595	0.4%	12.0 %
Judicial	12,850,430	8.7%	13,543,493	8.8%	5.4 %
General Government	17,494,581	11.9%	16,066,871	10.5%	(8.2)%
Public Safety	26,187,401	17.8%	27,025,070	17.6%	3.2 %
Public Works	2,951,438	2.0%	2,756,234	1.8%	(6.6)%
Health & Welfare	56,784,382	38.6%	56,596,416	37.1%	(0.3)%
Culture & Recreation	5,284,458	3.6%	4,715,832	3.1%	(10.8)%
Community & Economic Development	710,341	0.5%	759,711	0.5%	7.0 %
Other	1,356,282	0.9%	827,336	0.5%	(39.0)%
Capital Projects	2,417,852	1.6%	9,360,000	6.1%	287.1 %
Debt Service	2,454,454	1.7%	2,977,797	1.9%	21.3 %
Operating Transfers Out	18,032,129	12.3%	17,923,111	11.7%	(0.6)%
Total Expenditures	\$147,088,404	100.0%	\$153,184,466	100.0%	4.1%

Legislative expenditures are increasing to reflect additional spraying for gypsy moths. The budget includes both the portion that the County pays as well as the amount that is passed through the U.S. Department of Agriculture to the Ottawa Soil and Water Conservation District.

Judicial expenditures are increasing 5.4 percent. Indirect cost expenditures in the District court increased significantly as discussed under Charges for Services revenue. In addition, higher caseloads in the District Court are resulting in higher legal representation fees.

General Government expenditures are primarily accounted for in the General Fund, Public Improvement Fund, and Infrastructure Fund and are decreasing 8.2 percent. In the 2006 Public Improvement Fund, \$650,000 is budgeted for furniture at the Holland District Court and the Jail, and \$600,000 is budgeted as an operating transfer out to the Building Authority Capital Projects funds to cover preliminary architectural costs for the Grand Haven/West Olive project.

Expenditures in the 2006 Infrastructure Fund include a \$600,000 contribution towards the River Avenue Bridge in Holland. In the General Fund, expenditures in Survey and Remonumentation are decreasing by \$266,000 based on planned survey work. In addition, the 2006 Budget includes \$120,000 FEMA grant of the Drain Commissioner. However, Building and Grounds expenditures are higher due to the expansion of the Hudsonville facility and the new, larger Holland District Court facility.

Public Safety expenditures, representing 17.6 percent of total expenditures, are increasing 3.2 percent in total. However, the 2006 Budget includes a \$1.2 million Homeland Security equipment grant that is not budgeted to continue into 2007. Public safety expenditures in the General Fund are increasing by \$1.7 million. During 2006, the County entered into an agreement with the City of Hudsonville to provide community policing services. 2007 represents a full year of these costs (an additional \$175,000). The remainder of the increase in General Fund public safety expenditures is in personnel costs including fringe benefits.

Health and Welfare expenditures, representing approximately 36.2 percent of total expenditures, has significant variances in three funds:

<u>Fund</u>	<u>Change from 2005</u>
Mental Health	\$1,293,525
Workforce Investment Act funds	(\$1,751,104)
Child Care	\$710,000

Mental Health client care expenditures are increasing due to new placement and higher per day costs. As discussed previously under intergovernmental revenue, budgets for several of the Workforce Investment Act grants are lower pending grant notification.

Expenditures for the Child Care Fund are increasing by 8.6 percent or \$710,000. The 2007 Budget includes \$460,000 for the information technology initiative discussed earlier. In addition, personnel costs are also increasing.

Culture and Recreation expenditures are recorded in the Parks and Recreation Fund (Special Revenue Fund 2081) and will vary depending on the land acquisition and capital improvement endeavors. The 2006 Budget includes \$1.4 million for improvements to the Upper Macatawa property that should be complete by 12/31/06. However, the 2007 Budget for land purchases is \$550,000 higher than 2006 and \$528,000 is budgeted for the Mount Pisgah Dune Protection project.

Other expenditures in 2007 are \$476,000 lower because the amount budgeted for contingency was reduced from 2 percent of the most recently audited General Fund expenditures to 1 percent. However, the County's financial policies specify a range of 1 percent to 2 percent, so the County is still in compliance with its financial policies. In addition, the budget for equipment purchases outside of the budget process is falling by \$99,000 because the 2006 Budget included extra funds for court imaging equipment.

Capital Projects expenditures vary depending on the scope of projects undertaken. 2006 expenditures reflect the completion of construction on the Holland District Court facility. 2007 expenditures include beginning construction on the Grand Haven/West Olive project; specifically, significant progress is anticipated for the West Olive expansion in 2007.

Operating Transfers Out is decreasing slightly, but there are some significant fluctuations within the category. The 2006 Budget includes a transfer of \$444,000 to Information Technology for imaging of existing cases. In addition, the Stabilization Fund reflects a transfer of \$269,000. Neither of these funds are budgeted for a transfer in 2007. However, the remaining transfers are all higher to reflect higher operating costs in the other funds.

CHANGES TO 2007 DEPARTMENTAL REQUESTS

Changes to the 2007 Department budget requests were made to provide adequate funding for County services while maintaining fiscal responsibility. Not all budget requests were recommended. In keeping with the County's policy of zero-based budgeting, appropriate documentation and justification were required for new and existing budget requests.

General Fund

The 2007 General Fund budget as proposed by departments included revenues of \$61,641,085 with associated expenditures of \$64,187,622. The major adjustments to the 2007 Budget include:

<u>Revenues:</u>	<u>Total Adjustment To Department</u>
2006 Budget Proposed by Departments	\$61,641,085
- increased taxes to reflect an additional .1 mill levy	945,000
- reflected use of 50% of the Convention Facility tax dollars for Public Health programs	440,000
- increased projection for District Court	294,000
- miscellaneous adjustments to other departments	<u>(57,509)</u>
Total General Fund Revenues Proposed by Finance and Administration Committee	<u>\$63,262,576</u>

Expenditures:

2007 Budget Proposed by Departments	\$65,648,708
- decreased contingency from 2% of prior audited expenditures to 1% (consistent with County financial policies)	(553,000)
- decreased budgets for health insurance to reflect employees who opt out of coverage	(300,000)
- eliminated proposal for consultant to expand web-based case management for general juvenile division workload	(285,000)
- increased indigent legal fees for the District Court based on current spending patterns	225,000
- decreased operational supplies of the Sheriff and Jail to reflect current expenditures	(194,000)
- miscellaneous adjustments to other departments (<1% of total expenditure budget)	<u>(354,086)</u>
Total General Fund Expenditures Proposed by Finance and Administration Committee	<u>\$64,187,622</u>

SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECTS AND PERMANENT FUNDS

Expenditures in the Public Health Fund (Special Revenue Fund 2210) were decreased by \$227,000. 1.4 full time equivalents in vacant positions were eliminated. In addition, the West Nile virus budget and various equipment expenditures were reduced. The revenue budget was reduced by the same amount of the expenditures reductions. However, the operating transfer was reduced by an additional \$100,000. Because the Health department has several part-time employees, they have significant savings from insurance opt outs. These savings amount to an estimated \$100,000, so the County does not anticipate a fund balance usage.

The expenditure budget in the Public Improvement Fund (Special Revenue Fund 2450) was reduced by \$3.9 million. The department head amount reflected the operating transfer to the Building Authority – Capital Projects planned in connection with the Grand Haven/West Olive project. However, as building plans developed during the budget process, it was determined that bond proceeds would cover the construction costs in 2007. The operating transfer is planned for 2008.

Certain Workforce Investment Act Funds were increased from the original departmental request upon notification of grant approvals.

Personnel in the Community Corrections Fund (Special Revenue Fund 2850) were reduced to reflect the type of work performed by the employees. In addition, based on a program evaluation presented to the Board of Commissioners during the summer, the substance abuse gatekeeper program has been eliminated and replaced with a less expensive alternative. In total, the budgeted expenditures in the fund decreased by \$166,000. Revenue was decreased by an additional \$100,000 to reflect unused transfer dollars in previous years.

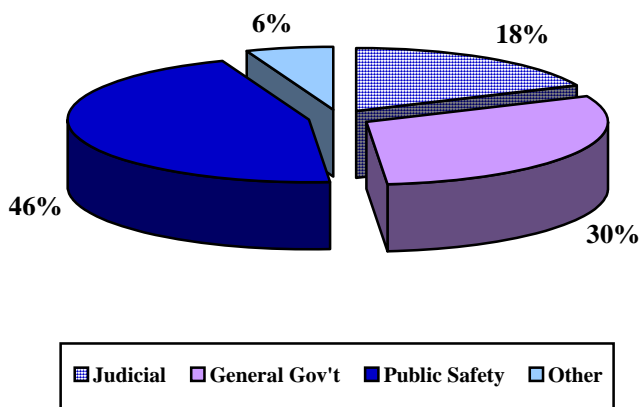
Expenditures in the Child Care Fund were increased by \$235,000 to reflect the revised proposal advanced by the Juvenile Division for a consultant to provide enhancements to information technology products for the Juvenile division. The approval of this initiative is pending approval from the State of Michigan. The State is budgeted to pay 50 percent of the costs. In addition, more recent spending patterns in foster care and private institutions necessitated that an \$157,000 be added to those budgets. These changes and various other adjustments and corrections increased the Child Care Fund expenditure budget by \$586,000. Revenue was adjusted accordingly to reflect the corresponding change in State funding from the increases and various other adjustments (\$356,000).

The remaining funds had no significant changes made to 2007 Budget requests.

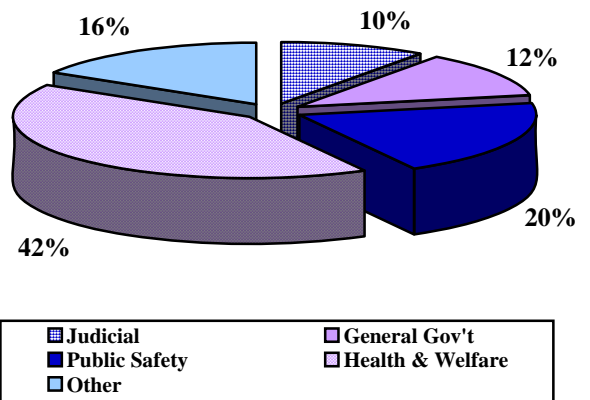
Expenditure Summary

The graphs below summarize the expenditure composition of both the General Fund and the County (primary government) as a whole:

General Fund Expenditure Composition

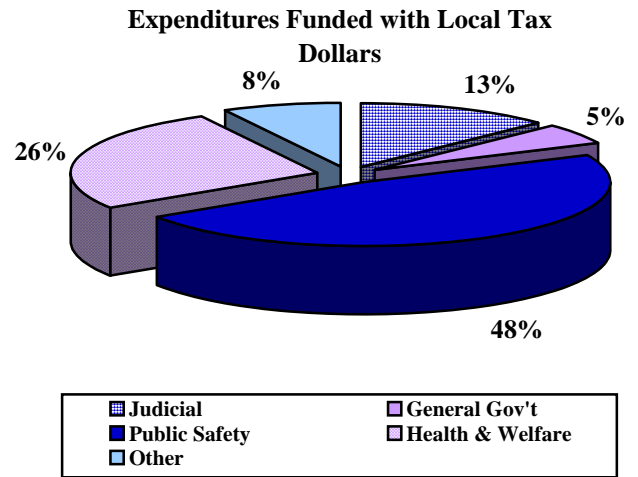


Total Governmental Funds Expenditure Composition



The graphs above show that overall, the majority of County expenditures are for Health and Welfare expenditures. However, it should be noted that County tax dollars from the citizens are not used primarily for Health and Welfare expenditures. The graph to the right shows the functions for which County tax dollars are paying.

The graph shows that the majority of County raised tax dollars are used to fund Public Safety expenditures. Many of the Health & Welfare functions are funded by the State and Federal government.



CONCLUSION

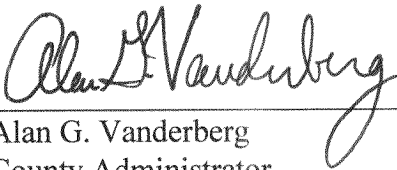
Many municipalities focus on short-term issues and concerns. Ottawa County, through its Strategic Plan and financing tools, has placed itself at the forefront by creating long-term strategies to address space needs, provide for equipment replacement, resolve insurance issues, meet human resource needs,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

With financial forecasting and the creation of long-term financing tools, the County has positively impacted all future financial decisions and the County's financial stability. These tools permit the County to reduce taxes to County residents, improve the County's bond rating, and lower costs to departments. In 2007, the financing tools allow the County to maintain the operating tax millage to well below its Headlee limit, add new equipment, and provide for new initiatives. In addition, finances continue to be carefully balanced in order to maintain or improve the outstanding bond ratings that the County currently has. The bond ratings save significant taxpayer dollars as a result of townships using the County bond ratings when constructing water and sewer systems.

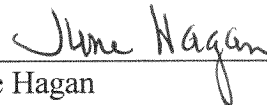
In 2005, the County projected future operational deficits over the next five years and began to formulate plans to eliminate them. The operating deficit is occurring at a time when Ottawa County remains one of the fastest growing counties in Michigan and has an increasing need for vital services. The County must also keep pace with technology demands in order to improve efficiency and to deliver quality services to the public. The fiscal year 2007 Budget reflects the implementation of several of the strategies identified to address the deficit. In all, the 2007 County of Ottawa Budget emphasizes responsibility, restraint, and reinforcement of long-range County goals.

During 2006, the Board of Commissioners developed a new strategic plan that redefined the vision and goals for the County as a whole. As we look ahead to the new direction, Ottawa County's fiscal restraint and long-term planning will continue in order to maintain the County's financial strength. With this, Ottawa County will continue the tradition of providing exemplary services to the public and maintaining a stable financial position

Sincerely,



Alan G. Vanderberg
County Administrator



June Hagan
Fiscal Services Director

DISTINGUISHED BUDGET PRESENTATION AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Ottawa County for its annual budget for the fiscal year ended December 31, 2006. This was the eleventh year that the County has submitted and received this prestigious award.

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

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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Ottawa County
Michigan**

For the Fiscal Year Beginning

January 1, 2006

President

Executive Director

2007 ORGANIZATIONAL CHART

CITIZENS
OF
OTTAWA COUNTY

