

# Revenue Source Descriptions

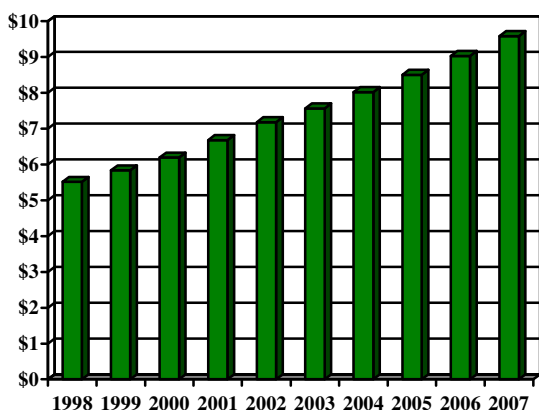
## Primary Government

### Property Taxes

Property Taxes are levied against the taxable assessed valuation of real and personal property in the county. The tax rates are expressed in "mills" per one dollar of the assessed taxable valuation of the property; one mill of taxation is equal to one dollar on each one thousand dollars of assessed valuation. Reductions, due to various legislative acts to provide exemptions, are based on historical trends. In addition to the operating levy, in August, 1989, Ottawa County residents voted a 20 year millage at the rate of .5 mill to fund the county's lease obligation to the Ottawa County Building Authority and the cost of operating the E-911 Central Dispatch system. In November 1996, a 10-year .33 mill was approved for Park Expansion, Development and Maintenance. The Parks levy was reaffirmed by the voters during 2007. The property tax levies conform with the Headlee constitutional tax limitation amendment as well as P.A. 5 of 1982, Truth in Taxation requirements.

**Ottawa County Taxable Value (in billions)**

Billions

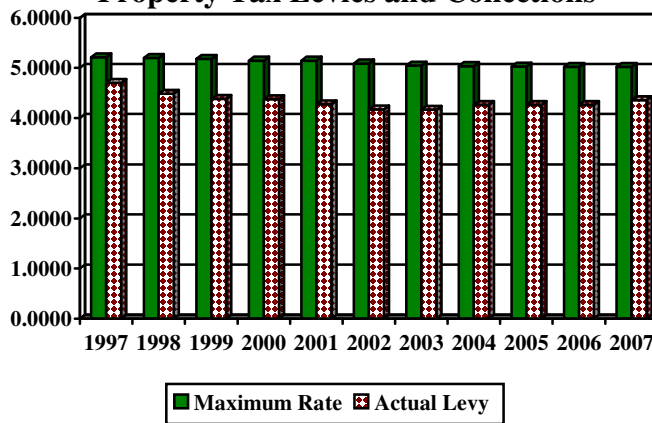


The graph to the left reports the taxable value for Ottawa County for the last ten years. Between 1998 and 2007, the taxable value for the County grew by almost 74 percent. This remarkable growth in taxable value has allowed the County to levy far less than its maximum allowed by law.

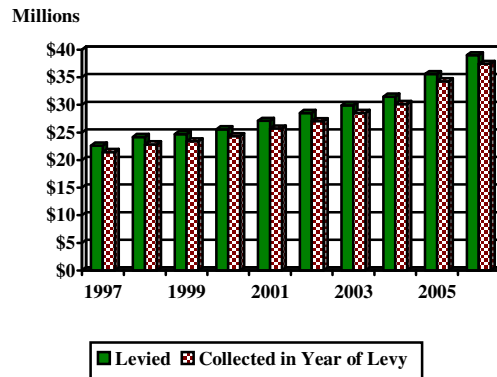
**Ottawa County Millage Rates (in mills)**

The graph to the right shows the lower millage rates County residents are enjoying. In 1996, the total levy was 4.899 mills; in 2006, the levy has dropped to 4.2572 mills. This is a decrease of 13 percent. For the last eleven years, the County has levied less than its maximum for operations. For the 2007 operating levy, the current maximum is 4.2650 mills; the County is levying 3.6 mills. Consequently, the County has a substantial "cushion" available for funding operations that equates to approximately \$6.4 million. The 2008 operating levy is expected to remain at 3.6 mills, so the "cushion" is expected to increase in proportion to taxable value.

**Property Tax Levies and Collections**



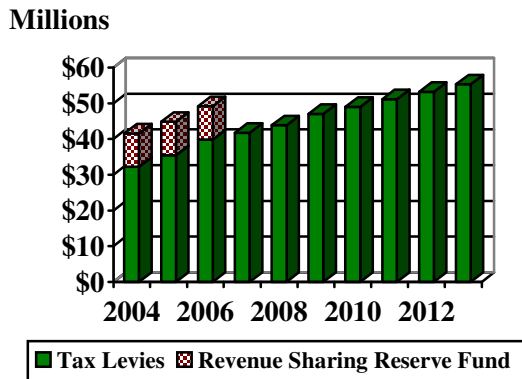
Like any municipality, Ottawa County is concerned with its tax collection rate. The County's collection rate today is slightly higher than it was in the late nineties. The graph to the right provides a ten-year history of collections for the County. The collection rate for the year the levy was made was 94.89% in 1997; in 2006, 95.97%.



### New Legislation Affecting Property Tax Collection for Counties

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 has been moved 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 it would have received that year, plus an annual increase equal to the CPI (Consumer Price Index).

#### Ottawa County Total Tax Revenue



The graph to the left shows the total tax dollars received and projected for 2004 – 2013 with the Revenue Sharing Reserve levies separated from the Operating, E-911 and Parks levies. The graph shows that tax revenue for operational purposes will continue to rise steadily as a result of rising taxable values. It should be clear that steady growth in the taxable valuation can be anticipated for the future, making property tax a reliable and important revenue source.

### Intergovernmental Revenue

Intergovernmental revenue can be found in the majority of the County's funds. Such revenues come from the Federal and State governments as well as local municipalities. For the County as a whole, intergovernmental revenue is the County's largest revenue source.

**General Fund:** There are several components to intergovernmental revenue in the General Fund. Major intergovernmental revenue sources in the General Fund follow.

## State Court Fund Distribution

Revenue received from the State under Public Act 374 of 1996 for reimbursement of allowable costs of court operations, pursuant to a formula. The budget is based on information received from the State of Michigan. The 2008 budget for this revenue source is \$1.1 million.

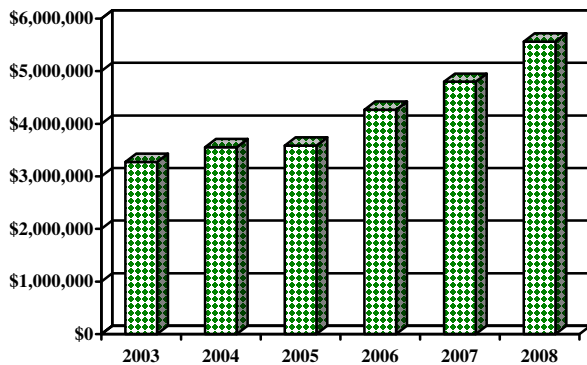
## Convention Facility Liquor Tax

County share of distribution of revenues generated from tri-county convention facilities tax levied under Public Act 106 and 4% liquor tax levied under Public Act 107 of 1985, when these revenues exceed the debt service requirements for convention facilities. The Public Act mandates 50% allocation for substance abuse programs and 50% for general County operations. Previously, the County Board would also direct the other 50% to be used for substance abuse. However, the 2007 budget is using the other 50% for general operations. The 2008 budget of \$880,000 is based on information received from the State of Michigan.

## Contributions from Local Units

Contributions from Local Units represent payments from townships and cities in Ottawa County for policing services that the County provides and are based on expenditures.

### Contributions from Local Units – All Funds



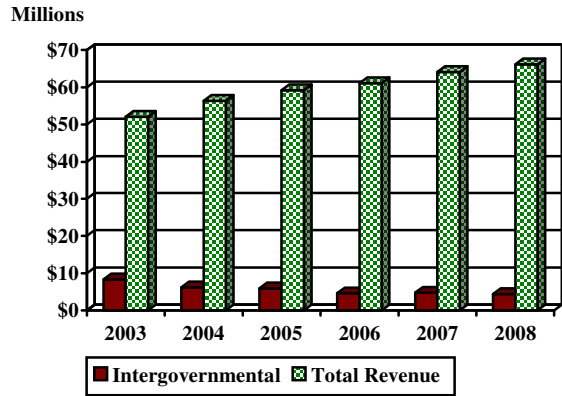
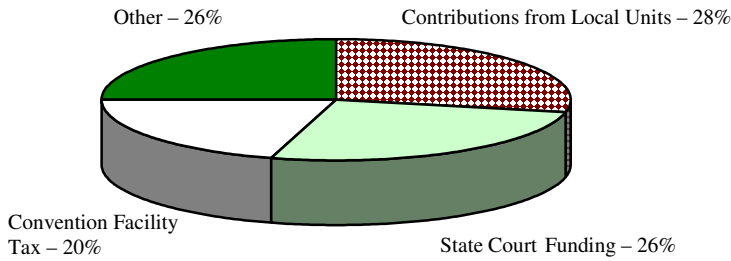
As communities have realized the value of Community Policing programs, the demand for these services has increased. The graph to the left shows the increasing dollars the County is receiving for these services. Many of these programs began with federal funding under the COPS Universal grant programs that expired after three years. As the grants have expired, the municipalities have continued to fund the programs from their own resources. In addition, during 2006, the county entered into an agreement with the City of Hudsonville to provide community policing services. As for the future, the County expects this

revenue source to increase steadily over the next few years in tandem with public safety expenditures.

The graphs that follow summarize both the components of intergovernmental revenue and its importance to the General Fund. With the end of State Revenue Sharing, Intergovernmental revenues as a percentage of total General Fund revenue has decreased from 18% in 2002 to 7% in 2008.

**General Fund Intergovernmental Revenue and Total Revenue**

**General Fund Intergovernmental Revenue**



**Special Revenue Funds:** Special Revenue funds hold the majority of the intergovernmental revenue since these are primarily grant funds. The purposes of these grants include culture and recreation (Parks and Recreation fund), judicial (Friend of the Court fund), public safety (COPS grant funds), health and welfare (Health, Mental Health, Community Action Agency, and Child Care funds), and employment services (Workforce Investment Act (WIA) funds). Budget amounts are based on State recommendations.

**Parks and Recreation**

The Parks and Recreation department receives funds from the State of Michigan for land purchases and capital improvements at County parks. Obviously, the revenue source can and does vary greatly from one year to the next depending on both the applications submitted and the ranking and availability of State funding for the projects. In 2008, the Parks and Recreation department is anticipating a \$2 million grant from the Michigan Natural Resources Trust Fund for the Olive Shores property acquisition and a \$360,000 federal transportation enhancement grant for the Upper Macatawa property.

**Co-op Reimbursement**

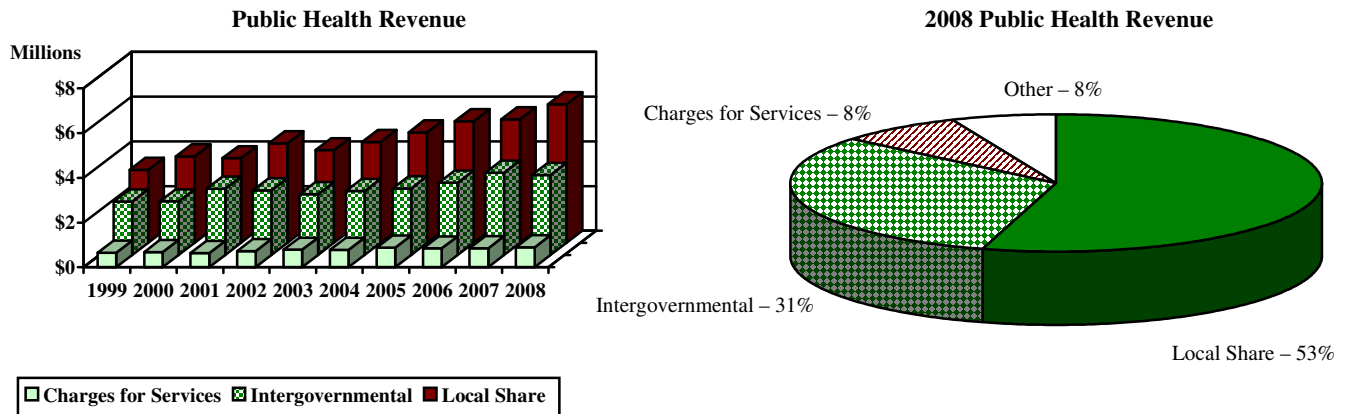
This revenue represents funds received from the state for IV-D child support enforcement. The program is a federal, state and county cooperative effort to collect child care support from parents who are legally obligated to pay. This is accomplished through services provided to establish paternity, locate absent parents, establish and enforce child support orders and collect child support payments. Increases are anticipated to partially accommodate inflation, but no funds are anticipated for program expansion. The budget is based on preliminary contract amounts from the State of Michigan. The 2008 budget reflects a proposed change in the funding formula that would require counties to subtract out federal incentive payments they receive before calculating the IV-D revenue. The result of this proposed change is a decrease in projected revenue between 2007 and 2008 of nearly \$209,000.

**Health Fund**

Intergovernmental revenue in the Health fund includes various state grants, Medicaid reimbursements, and state cost sharing established by the Public Health code. Nine services identified by the state are reimbursed at a cost sharing level of 50%. This reflects increased

emphasis on select Health programs from the Michigan Department of Health. Medicaid fees are likely to increase from the increased caseload and population. Unfortunately, state grants and cost sharing reimbursements have not kept pace with expenditures. Some of the difference has been made up in fees charged to the clients, but much of the difference is funded by local dollars.

The graphs that follow show that in 1999, Intergovernmental revenue funded 35% the Health fund's expenditures. In 2008, Intergovernmental revenue is funding 30% of expenditures.



### Mental Health

State funding for Mental Health programs changed from a fee-for-service payment method, to capitated payments under a managed care system.

Capitation for Medicaid is an "at risk" funding. State general fund revenues are to serve priority population residents up to resources available. If overspending occurs in either funding stream, Mental Health has a fund balance of State and non-County dollars that can be used. In addition, an Internal Service fund has been established to accommodate this risk.

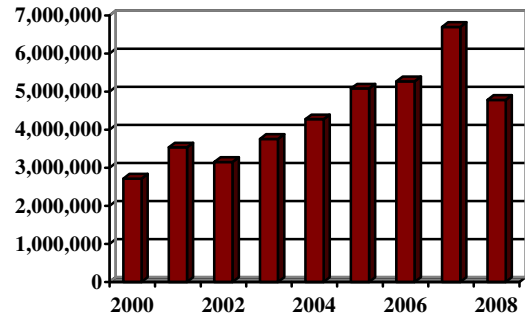
### COPS Universal/Sheriff Contracts

Beginning in 1997, the Federal government provided grants to townships that contract with the County to provide community policing services in order to enhance local law enforcement in their area. The grants were intended as "seed money" to start the community policing projects, and they typically lasted three years. All of these grants have expired, but in most cases, the programs were continued with contributions from local units discussed previously.

## Workforce Investment Act Funds

Workforce Investment Act (WIA) are federal funds received for training and employment programs for underemployed and economically disadvantaged citizens. The 2008 budget amount shows only the estimated revenues to be received from the State. Conservative budgeting requires us to not budget carryover dollars until approved by the State. Consequently, 2008 revenues indicate a significant decrease. However, this decrease is unlikely to materialize since the County typically receives additional grants during the year in addition to the carryover dollars from the previous years.

Workforce Investment Act Funds - Intergovernmental Revenue

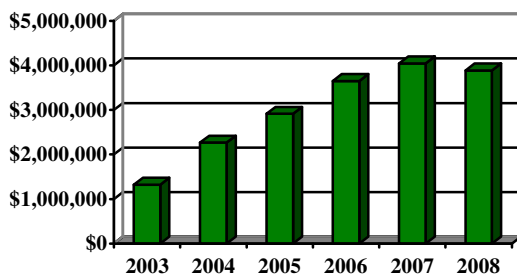


The graph above also shows that Intergovernmental revenue for the WIA funds has been increasing in the last couple of years. Future funding will depend on the availability of federal funds and the economic status of the County in relation to other Michigan Counties.

## Child Care

This revenue represents the 50% subsidy by the State for net child care costs excluding state institutions. In the last two years, the County has made adjustments to its existing programs that allow them to be eligible for State funding. In 2005, 7.25 full time equivalents were moved from the General Fund to the Child Care Fund to take advantage of the funding available for community intervention programs. An additional 3 full time equivalents were moved during 2006. These program adjustments have changed the funding formula for Juvenile Services overall. As

Child Care Fund Intergovernmental Revenue



recently as 2002, the County's share of Juvenile programs was 71.5% of total expenditures. With the 2008 budget, that funding percentage is dropping to 48.3% of total expenditures. In the future, revenues in this fund are expected to rise in tandem with expenditures.

## Charges for Services

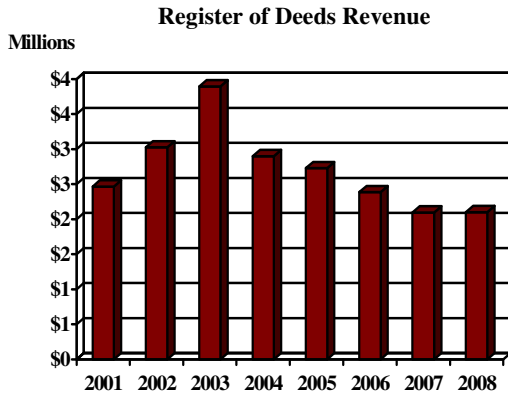
**General Fund:** In the General Fund, there are three main sources of charges for services. Court Costs, Indirect Cost Allocation, and Register of Deeds revenue.

### Court Costs

Court Costs are costs assessed for criminal cases and traffic violations. The majority of these revenues are collected in the District and Circuit court. The County anticipates moderate increases as population and thus caseload increases. In addition, as more deputies are added

through grants and township funding, revenue from traffic violations are also likely to increase due to enhanced patrols.

### Register of Deeds Revenue

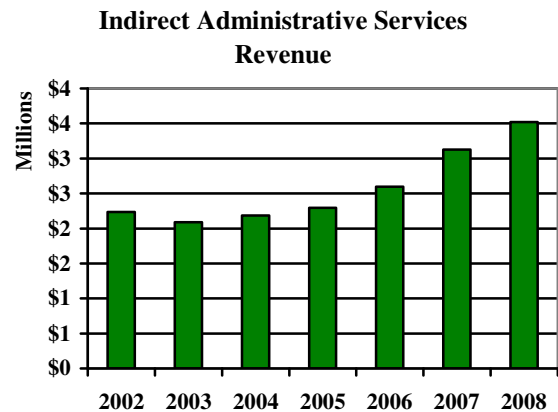


The Register of Deeds office collects fees for property services and transfer taxes. Under Public Act 134 of 1966, a fee of \$.55 for each \$500 of value of property transferred is assessed. In addition, new legislation enacted 10/1/03 allows the Register of Deeds to collect \$5 for each deed recorded and \$3 for each additional page. These revenue sources are highly dependent on interest rates and the economy. For the years 2001 – 2003, the record low interest rates resulted in an avalanche of mortgage refinancing documents. In the last few years, however, this revenue has been decreasing. With

interest rates increasing, mortgage refinancing is less advantageous. In addition, the slow housing market has also affected this revenue source negatively. However, the potential for more development should allow this revenue source to provide substantial funds for future operations and revenues will likely increase as the housing market recovers.

### Indirect Administrative Services

This revenue represents reimbursement for indirect costs incurred by the County in the administration of grants and other contractual programs. A cost allocation plan is prepared annually by consultants to identify the costs. The revenue received in the General Fund is dependent on both the actual administrative costs and where the costs are allocated to since the County does not charge all departments. The graph to the right shows increasing revenue as a result of increasing administrative expenditures, and, beginning in 2007, increasing allocations to the District Court in connection with the expanded Hudsonville facility. The District Court allocation is increasing again in 2008 with the opening of the much larger Holland District Court building. This revenue will likely increase over the next few years due to building projects. In addition, as the Grand Haven facility is rebuilt, a larger portion of the building will be allocated to judicial functions. Since these programs are charged indirect administrative expenditures, the revenue will increase. In fact, the expansion of the Grand Haven facility may bring in more grant dollars from the Friend of the Court grant.





**Special Revenue Funds:** Parks and Recreation, Health, Mental Health, and the Landfill Surcharge funds are the primary purveyors of Charges for Services revenue in the Special Revenue funds.

**Parks and Recreation**

Charges for Services in the Parks and Recreation fund include reservation and entrance fees for the use of county park facilities. Although highly dependent on the weather, entrance fees should continue to increase due to the capital improvements made at the various parks. The budget is calculated by averaging historical information.

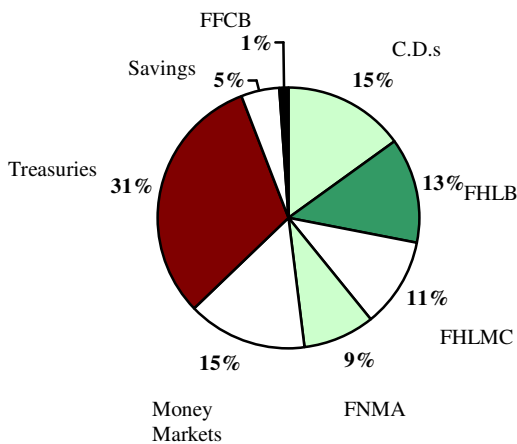
**Health and Mental Health**

For Health and Mental Health, the charges represent fees collected from private insurance as well as fees collected from clients. Clients may be charged on a sliding fee scale based on income. Revenue is projected based on historical activity and projected caseload.

**Landfill Tipping Fees**

These fees represent the County portion of the surcharge fee collected by the landfills. The amount budgeted is based on historical collections and current year activity.

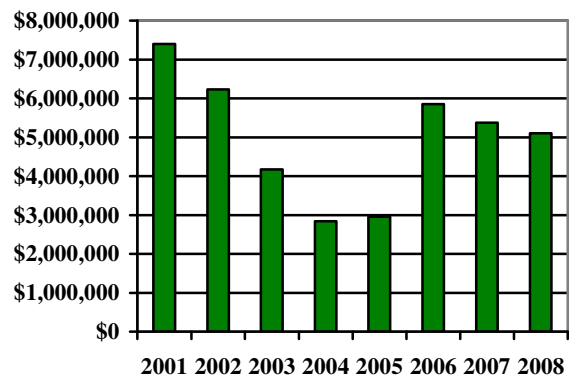
**Interest on Investments**



This revenue source represents both the interest earned on the investments of County funds as well as the changes in the market value of those investments. Allowable investments are set by state statutes. The treasurer employs a laddered approach that results in the continuing maturity of investments in order to have the correct balance between liquidity and return. The graph to the left shows the components of the County's investment pool as of 6/30/07. Additional information on the County's investment policy can be found in the User's Reference Guide section of this document.

The graph to the right shows the downturn in investment income that the County has experienced. The implementation of Governmental Accounting Standards Board Statement No. 31 in 1998 is causing additional fluctuations in this revenue source. Among other things, Statement No. 31 requires municipalities to reflect certain investments at market value in the financial statements. Since the market has

**Investment Earnings**





been somewhat volatile, investment income has been fluctuating.

Although interest rates remain low, cash balances have increased over the last few years, keeping actual revenues steady. However, as the County continues its locally funded (i.e. not bonded) capital construction projects, increasing returns will be partially offset by decreasing cash balances. Consequently, the County expects small decreases in its investment revenue.

## **Rent**

The County charges rent to grant funds for use of County space. As grant funded programs expand and require more space, this revenue will increase. The budgets are based on the annual operating expenditures in the General Fund's Building and Grounds departments plus a fixed charge for capital costs where appropriate.

## **Component Units**

### **Road Commission**

The Road Commission receives funds from the state and local units for road improvements and repairs.

### **Drains**

The drainage districts receive reimbursements for drainage projects or other services rendered. The budgets are based on anticipated projects of the drain commissioner.

Chapter 6 Drains - Projects petitioned for by individuals

Chapter 20 Drains - Intra-County projects usually petitioned for by townships

Chapter 21 Drains - Inter-County projects petitioned for by a governmental unit

### **Public Utilities System**

Under Public Act 342 of 1937, the Public Utilities System records monies received to provide technical and administrative assistance to townships, cities and villages in regard to water and sanitation systems and facilities as well as operating costs.

### **Ottawa County Central Dispatch Authority (OCCDA)**

In addition to the property tax levy in Ottawa County, OCCDA receives property taxes from Allegan County for the portion of the City of Holland that is in Allegan County.

OCCDA receives surcharge revenue from Allegan County which represents a designated amount charged to each landline phone at a business or residence. OCCDA also receives surcharge revenue from the State of Michigan. The State collects the revenue from wireless phone providers and allocates it to participating counties. Surcharge revenue must be used for capital expenditures, mainly technology.