

**County of Ottawa
Grand Haven, Michigan**

2010 Budget



2010 BUDGET
for
OTTAWA COUNTY
GRAND HAVEN, MICHIGAN
www.miottawa.org

2009 BOARD OF COMMISSIONERS

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THE FISCAL SERVICES DEPARTMENT

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October 27, 2009

Board of County Commissioners and Citizens of Ottawa County:

Transmitted herein are the 2010 Operating Budgets for County operations. The combined budget, including component units, totals \$222,921,939 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 2010 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 2010 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.

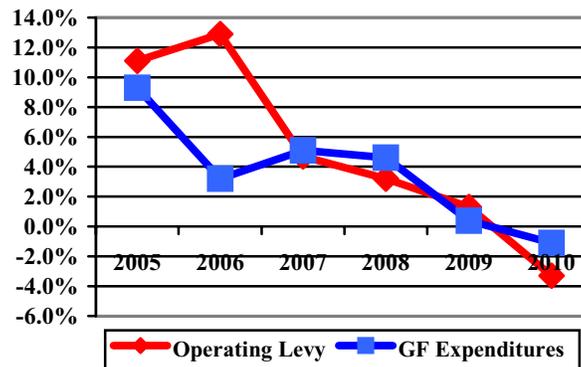
FINANCIAL ISSUES

The 2010 budget process focused on providing quality services and programs amidst continued and deepening fiscal challenges. Multiple revenue sources are on a flat or declining trend while certain expenditures such as health insurance and retirement are increasing in excess of inflation. Unfortunately, this trend is not expected to end soon.

Revenues: There are several downward pressures on multiple revenue sources. Municipalities state-wide, including Ottawa County, have felt the decline in property values and are developing strategies to address this issue. However, other economy driven revenue as well as State revenues are also on the decline.

Tax Base: For many years, the County’s finances were robust and able to accommodate both mandated services as well as certain discretionary programs approved by the Board of Commissioners. Strong growth in population and by extension, the tax base, provided the necessary funds to cover programs on a consistent basis. However, this trend has changed. The graph below shows the percentage change for the operating levy tax revenue and expenditures for 2005 – 2010:

Trends in General Fund Tax Levy and Expenditures

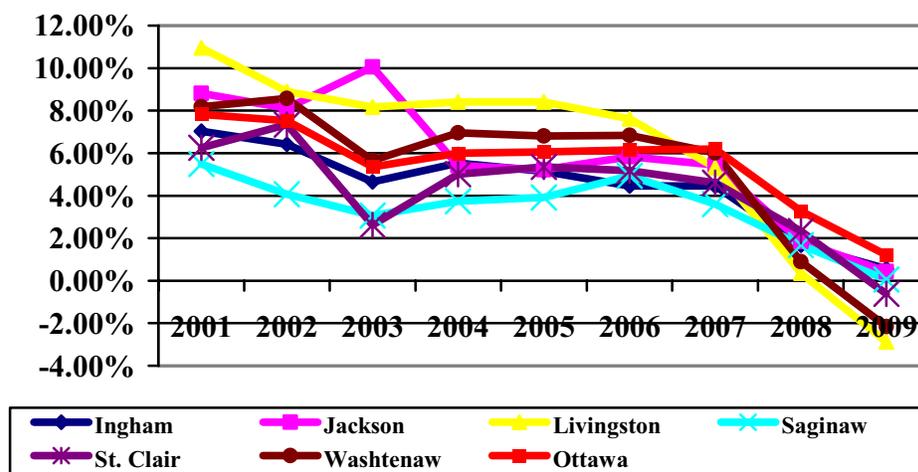


* General Fund expenditures do not include operating transfers associated with the building projects.

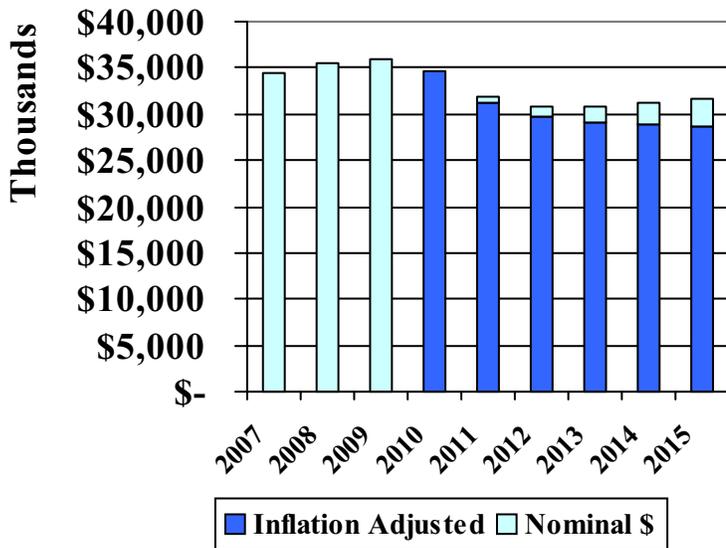
From 2005 – 2007, the increase in the tax revenue from the operating levy (in red) outpaced the increase in expenditures (in blue). Unfortunately, beginning with 2008, the increase in expenditures is now outpacing the increase in tax revenue, and the gap is widening with 2010.

The operating levy tax revenue is falling in part because home values are falling. In Ottawa County, 70 percent of the tax base is residential. Although other Michigan municipalities have felt the decline in the housing market for a few years, 2008 was the first year the County had seen the slower growth. After several years of approximately 6 percent growth each year, the 2008 taxable value grew by only 3.27 percent. Unfortunately, the growth deteriorated further in 2009. The 2009 taxable value grew by only 1.21 percent, and the State Equalized Value (which approximates 50 percent of the cash value) actually fell. The prediction for 2010 is a 3.33 percent *decrease* in taxable value. The graph below shows the change in taxable value for Ottawa County (in red) and its comparable counties:

Changes in Taxable Value – Ottawa and Comparable Counties



Change in Operating Tax Dollars Received

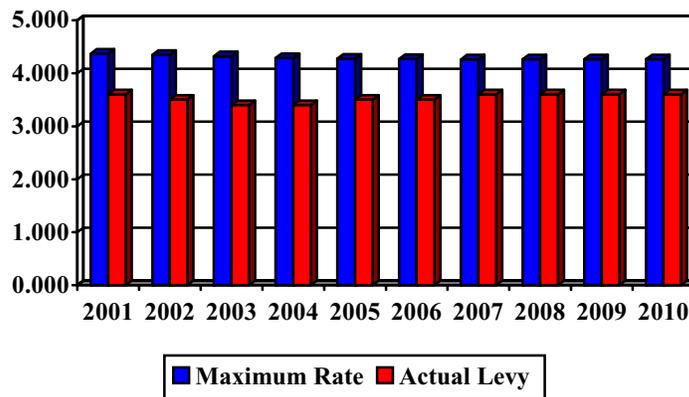


This taxable value trend has significant repercussions for tax revenue. The chart to the left shows a flat/declining trend going forward in this major revenue source. Since expenditures are projected to rise due to inflation and increasing demands for service, the tax base will struggle to accommodate those increases.

Property Tax Revenue and the Citizen Tax Burden: There are several ways to address this trend of decreasing revenues including increasing the operating tax levy. However, the County remains sensitive to taxpayer contributions. Ottawa County has a maximum tax limit of approximately

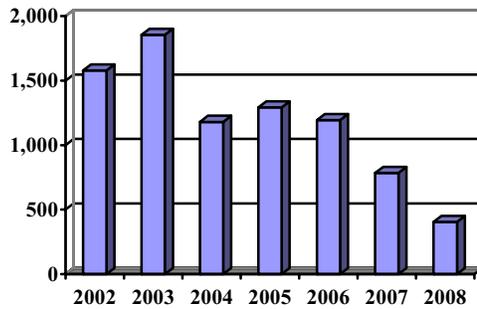
4.2650 mills for 2010 County operations. Like most taxpayers and other government entities, Ottawa County has suffered from the economic downturn occurring simultaneously with significant increases in certain expenditures. As part of the 2005 deficit reduction plan, the County had originally planned to increase the levy by .1 mill to 3.7 mills with the 2007 budget. However, in an effort to reduce the tax burden on County citizens, the Board of Commissioners has chosen to continue to levy the lower 2006 amount - 3.6 mills - for 2010 operations. The County continues to levy well below its legal maximum levy. **Specifically, the difference in the levy from the maximum of 4.2650 mills to 3.6000 mills represents a 16% savings to the taxpayers.** This is the fourteenth 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 2001 - 2010:

Maximum Allowable Levy vs. Actual Levy

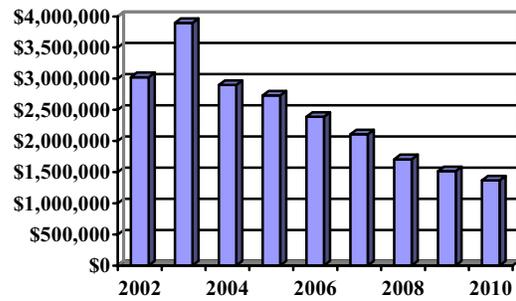


Housing Decline: News reports continue to highlight the decline in the housing market. In addition to the effect on property taxes discussed previously, this also impacts Register of Deeds revenue. A significant portion of County revenue comes from the Register of Deeds office for fees associated with the recordation of deeds, both for mortgage refinancing and new construction. Specifically, the 2010 budget is more than \$2.5 million less than the revenue high recorded in 2003.

Reported Privately Owned Residential Building Permits



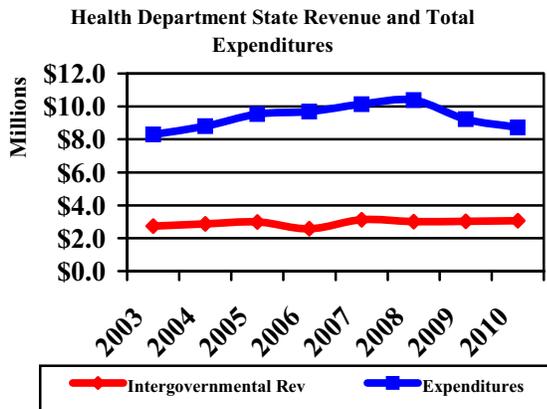
Register of Deeds Revenue



State Funding: The State of Michigan continues to experience major challenges in balancing its budget. These challenges have been ongoing for the last several years. The following information taken from the State of Michigan’s 2008 Comprehensive Annual Financial Report shows the State’s deteriorating position:

State of Michigan Financial Results - 2008 (in thousands)	
	2008 Actual
Total Fund Balance 9/30/08	\$3,907,792
2008 Expenditures	\$43,237,473
2008 Fund Balance as a % of Expenditures	9.0%
Cash Balance 9/30/08	\$7,966
2008 Expenditures	\$43,237,473
2008 Cash Balance as a % of Expenditures	0.02%

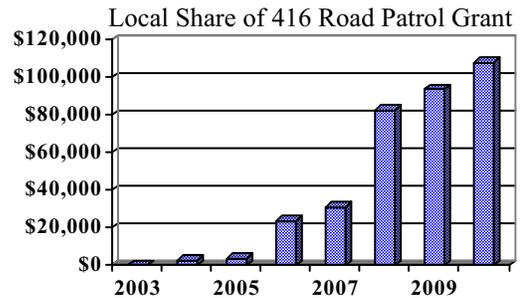
From the table to the left, it is clear the State has major financial issues, particularly in regards to cash. Generally, entities are advised to have at least 10-15% of expenditures set aside in their fund balance. The cash status is even more alarming. The State has enough cash to cover approximately 62.5 hours of operation. The State’s proposed 2010 budget deficit is \$2.8 billion. On September 30, the State passed a 30 day continuation budget while they continue to work on the fiscal year 2010 budget. These financial conditions suggest additional funding cuts which may affect County programs and that the reinstatement of revenue sharing to the County in 2011 is more tenuous.



2010 budget.

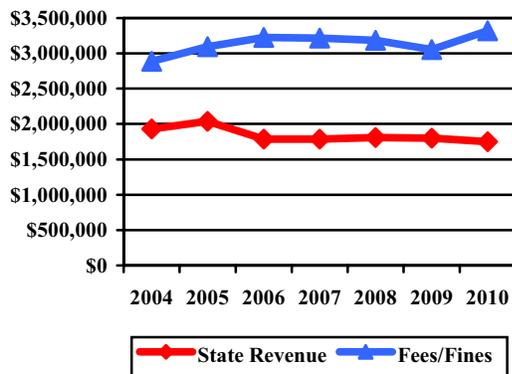
The County receives State funding for a variety of programs, and Public Health is one of the hardest hit areas. Decreases in State funding or flat revenue have resulted in the choice between increasing local funding or eliminating these programs. The graph to the left reflects the State funding changes in relation to expenditures that Ottawa County is experiencing. By 2008, the gap between intergovernmental revenues and expenditures had widened to \$7.4 million. Beginning 2009, program reductions were made to reduce that gap to less than \$5.7 million with the

In addition, the P.A. 416 secondary road patrol grant from the State of Michigan is also falling. In 2003, the State paid for the entire cost of the grant which funds two road patrol officers and one sergeant. With the 2010 budget, the County is now funding \$108,000 of the program.

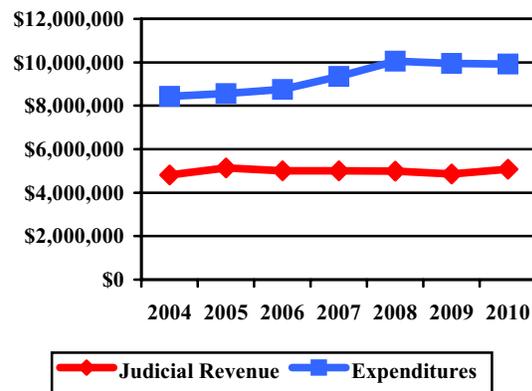


State revenue and fines and forfeits received for judicial functions are trending flat to declining. At the same time, expenditures continue to increase, creating a greater gap for local dollars to fund. The graphs below indicate this trend.

General Fund Judicial Revenues



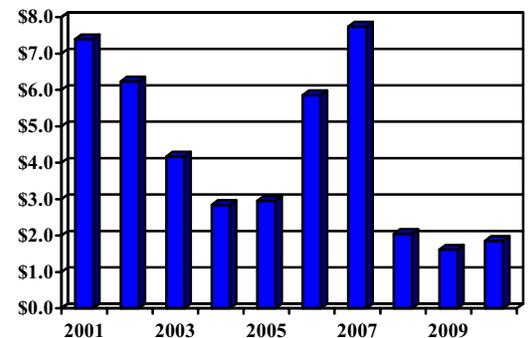
General Fund Judicial Revenue and Expenditures



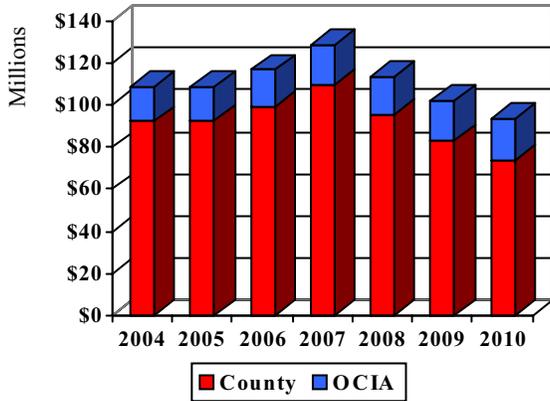
Investment Revenue: Interest revenue includes realized and unrealized capital gains and losses reported through a change in fair value as well as actual interest received. The County's investment portfolio is laddered over a 5 to 7 year period with an average maturity just under 2 years. By laddering the portfolio, the changes in interest rates are averaged 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.

In fiscal year 2001 and prior, the County's portfolio reported significant gains of nearly \$7.4 million dollars (including the Ottawa County Insurance Authority). Over the subsequent 3 years, unrealized capital losses were reported causing a decline in investment earnings while maintaining a positive cash flow in interest revenue. Market values improved in 2006 and especially in 2007, but have since declined significantly.

Investment Revenue



County of Ottawa Investment Portfolio

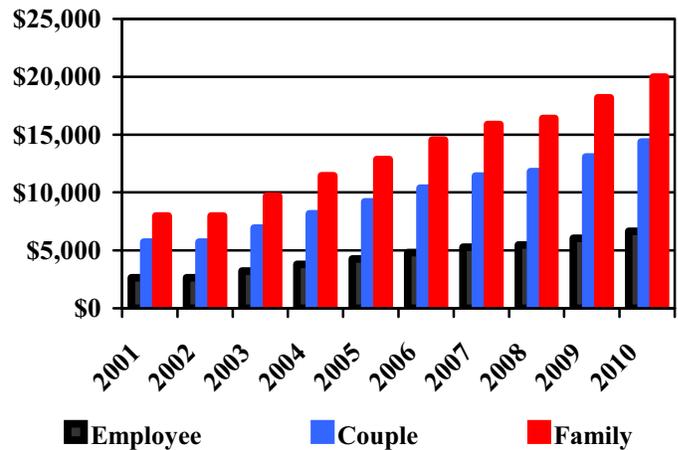


In addition to declines in market returns, the County’s portfolio size is also diminishing. The majority of this decline is the use of \$20 million for the construction of a new courthouse in Grand Haven and the addition at the Fillmore Street complex. In addition, the Parks and Recreation department has made several large land purchases and has completed several park improvement projects. The County also continues to draw down its Revenue Sharing Reserve Fund as planned. The portfolio reached a high of \$109 million in 2007, but is expected to end fiscal year 2010 at just over \$74 million.

Expenditures: Like most organizations, the County faces continued increases in expenditures, and, over time, these increases can negatively impact the provision of services, especially in times of decreasing revenue. Since approximately 60 percent of General Fund expenditures are funded with property tax, increases in expenditures should also approximate the change in taxable value. Prior to the problems in the housing market, taxable value generally increased by the CPI plus any new construction.

Fringe Benefits: Although the Board of Commissioners is able to directly control wage increases to prevent increases in excess of the CPI, it is more difficult to keep other fringe benefits, especially health insurance, to a specified percentage as this cost is based on coverage and other factors. For 2010, the total increase for health, prescription, dental and vision coverage is estimated to increase by 5.4 percent. While this is still below industry trends of 10-12 percent, it exceeds CPI significantly. Changes have been made to health insurance benefits for non-represented employees in 2010. Administration has requested bargaining units to consider re-opening their contracts to negotiate the same health plan changes.

Actuary Estimate of Health, Prescription, Dental and Vision Cost by Coverage



Retirement cost is also expected to increase far in excess of CPI in 2010. Refinements to the actuarial assumptions are resulting in a 16 percent increase in rates for 2010. Retirement cost and insurance benefits will be discussed in greater detail in the Five Year General Fund Projections discussion.

Other Post Employment Benefits: The County implemented Governmental Accounting Standards Board Statement # 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, also known as OPEB, with the 2008 budget. Ottawa County has two sources of OPEB. Retirees of certain employee groups receive a credit of \$8-\$10 per month per year of service on their health insurance. In addition,

the County allows retirees under age 65 to purchase health insurance at group blended rates. For calendar year 2010, the County's annual required contribution (for all funds) is \$820,291. The County continues to ease these charges into the budget. Of the \$820,291, \$468,640 will be charged to departments in calendar 2010. The remainder of the annual required contribution will come from fund equity in the PSF Employee Benefits fund. (6771).

Facilities Cost: In July of 2007, the Board of Commissioners approved the revised funding plan for the Fillmore Administrative Complex addition and the new Courthouse in Grand Haven. Because the new Courthouse is significantly larger than the former Courthouse and due to the expanded space at Fillmore Street, the cost to operate these buildings will also be higher. The Fillmore Street Administrative Complex addition expanded the facility by approximately 40 percent; the originally proposed building operating budget for 2010 was \$128,000 higher than actual 2007 expenditures, an increase of 19.6 percent. At the Grand Haven Courthouse, which will be approximately 35 percent larger, the proposed budget for 2010 was \$119,000 higher than actual 2008 expenditures, an increase of 17.6 percent.



During the budget process, changes were made to the general cleaning function. Currently, there are three facilities that have County-employed housekeepers and offices in all buildings are cleaned daily. Effective with the 2010 budget, only the jail facility will retain County staff for general cleaning, and offices will be cleaned twice per week (by contracted staff). County staff will cover cleaning of common areas, restrooms and clinic rooms on a daily basis. This change will reduce staff by 5.25 housekeepers and save the County \$250,000 annually. This reduces the increase in the overall facilities and maintenance budget between 2006 and 2010 from 26.8 percent to 15.7 percent.

Unfunded Mandates: Unfunded mandates are state or federal legal requirements which result in service and 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, the first draft of the study of mandated and non-mandated services was completed which identifies specific functions in each department that are mandated, non-mandated but necessary and non-mandated discretionary. During 2006, departments were asked to assign costs to the discretionary services. During 2007, the Board of Commissioners completed their first ranking of discretionary services. Additional rankings have been completed during 2008 and 2009. The rankings provided an additional tool to identify reductions in the 2010 budget. Work is underway on the mandated function study.

BALANCING THE 2010 BUDGET

The upward pressure on expenditures combined with flat or decreasing revenue results in a deficit for the 2010 General Fund budget as submitted by departments. Specifically, expenditure requests exceeded projected revenues by nearly \$5.3 million, not including personnel requests.

The 2009 budget submitted by departments came in with expenditures exceeding revenues (after corrections) by nearly \$5.5 million. The gap is decreasing because departments were asked to budget based on tax projections. Specifically, based on initial projections, 2010 tax revenue was anticipated to approximate 2008 tax revenue. Accordingly, departments were asked to budget expenditures to approximate 2008 levels. To close the remaining gap, the County is using a combination of cost reductions, cost refinements, program reductions and revenue adjustments to balance the budget.

Cost Reductions:

In addition to the reductions in Facilities Maintenance discussed previously, significant reductions to employee benefits have also been made. Since the greatest share of expenditures is for personnel services, it is one of the first areas to review when trying to reduce cost. Specifically, the Board of Commissioners requested that Administration review fringe benefits. Administration is focusing in three areas: health insurance, 457 plan contributions and the pension plan. Although adjustments have been made to health insurance in the last few years, a review of the County plan vs. industry standards highlighted some areas for further consideration, and the Board of Commissioners concurred:

Benefit	Current	Revised
Office Visit Co-Pay	\$10/visit	\$25/visit
In-Network Co-Insurance	None	90%; \$1,000 single cap; \$2,000 couple cap
Out-of-Network Deductible	\$100 Single; \$200 Couple/Family	\$1,000 single; \$2,000 couple
Out-of-Network maximum on Out-of-Network claims	\$1,650 Single; \$1,800 Couple/Family	\$2,550 single; \$3,600 couple
Prescription Co-Pays	\$10/\$20/\$40	\$10/\$25/\$50

Although the County has eight bargaining units, over 50 percent of County employees are unrepresented. Consequently, these benefit changes go into effect for the unrepresented employees January 1, 2010. The bargaining units are being asked to re-open negotiations. Contracts expire at 12/31/2010 and 12/31/2011, depending on the bargaining unit. When these changes are implemented for all bargaining units, the estimated savings to the County will be \$780,000 per year. In order to be conservative, the County shows a reduction to the General Fund of just over \$60,000.

In addition to the changes affecting employee cost, the County also changed its pharmacy benefit management company effective October 1, 2009. The change is expected to have little effect on employees, but is estimated to save the County \$380,000 per year. The savings to the General Fund are budgeted at \$215,000.

The County provides a match on contributions to the 457 Plan. For all employee groups with the exception of unclassified employees, the County match is capped at \$1,000. In order to improve equity among employee groups, the Board of Commissioners approved capping the County match for unclassified employees to \$1,000. The General Fund budget has been reduced by nearly \$97,000. In the same vein, the Board of Commissioners also implemented the auto

exclusion in the County's health plan for unclassified employees. Previously, unclassified employees did not have this exclusion.

Due to the increasing liability for the County's pension program, the Board of Commissioners asked administration to analyze the feasibility of changing the pension plan from a defined benefit program to a defined contribution program for new employees. The initial analysis of the change suggests that although total pension cost is likely to increase over the next few years, cost will decrease steadily thereafter. Changes to the pension program are not reflected in the 2010 budget as the analysis continues to determine the most effective and affordable plan.

Cost Refinements:

For 2005 - 2007, the total position vacancies for the year in the General Fund equated to eight to nine positions vacant for a full year. In 2008, the vacancies dropped to less than six full-time equivalents, and the current projection for 2009 is three full-time equivalents. The County anticipates that downward trend to continue given economic conditions. In prior budget years, the County reduced its budget by as much as \$375,000 to reflect anticipated vacancies. To be conservative, the County is adjusting its 2010 budget by \$104,000 to reflect vacancies – approximately one and one half full time equivalents.

Departmental charges for health insurance are significantly reduced when employees opt out of coverage. For each full time equivalent, a department will be charged \$12,500 for the year. For employees that opt out of health insurance coverage, the amount drops to \$500. In the General Fund, just under 24 full time equivalents opt out of health insurance coverage. In the Health Fund, just under 12 full time equivalents opt out. As a result, the health insurance budget line items have been decreased by \$280,000 in the General Fund, and the Operating Transfer from the General Fund to the Health Fund was reduced by \$92,500 to reflect anticipated opt out savings.

Many refinements were also made to the operating transfers to other funds. The Board of Commissioners is discontinuing the \$298,000 operating transfer to Parks and Recreation (2081) which has its own operating levy. The County received verification that some of the federal incentive dollars earned in the Friend of the Court (2160) will be available for use in the 2010 budget, allowing for a reduction of \$114,000 in the operating transfer to that fund. The operating transfer to the Community Corrections fund (2850) has been reduced by \$141,000 due to adjustments based on historical revenues and expenditures, anticipated staffing changes, and insurance opt outs. After the administrative review of equipment requests, budgets were reduced by \$188,000. In addition, departments volunteered an additional \$143,000 in reduced or withdrawn equipment requests.

The Board of Commissioners decided to suspend the tuition reimbursement program for 2010, resulting in \$65,000 in savings for the General Fund. Operational supplies in the Sheriff and Jail have been reduced by \$262,000 based on current and historical spending patterns, lower populations at the jail and voluntary reductions from the department. Although several departments submitted budgets with significantly lowered conference and travel expenditures, the budgets have been reduced further by Administration. The Board of Commissioners also reduced their 2010 travel and conference budget an additional \$10,000 so that the 2010 budget is

50 percent of the 2009 adopted budget. In 2006, the General Fund spent \$164,000 on conferences and travel; in 2008, \$138,000. The 2010 General Fund budget for conferences and travel is \$98,000. This equates to 40.2 percent decrease in spending.

Program Reductions:

Significant reductions have been made to Public Health programming. County funding for The Communities Helping Ottawa Obtain a Safe Environment (CHOOSE) program, whose goal was to reduce alcohol related traffic crashes, has been eliminated from General Fund funding. However, since that time, outside agency funding has been secured for the program, so it will continue in 2010 with grant revenue.

In addition, the elimination of a full time health educator will reduce the sexually transmitted disease (STD) outreach in the community. The position provided educational workshops and trainings to schools, churches, community organizations, etc. on symptoms, transmission, treatment and prevention of STDs. The outreach responsibilities also included educating the community on the STD clinics and services provided at the Ottawa County Health Department. Due to the elimination of this position, the STD clinic staff will provide limited outreach in the community which will limit the number of clients seen in the STD clinics. There will also be reductions to the chronic disease prevention program with the elimination of a .7 full time equivalent health educator. The "Thumbs Up to Fitness" walking program, implemented in nine area elementary schools, as well as the Coopersville Community Garden which improved access to produce to low income families will no longer be coordinated by the County.

Over the last three years, significant reductions have been made to the maternal and infant health programs. With the reductions made in previous years, the program eliminated services to non-Medicaid clients and some high risk children above the one year age level. The program can also no longer assist high risk diabetic children to adapt to school. These reductions have resulted in 329 fewer supportive visits in 2007 and 748 fewer in 2008. The cumulative effect of the reductions, including reductions in the 2010 budget, is that additional high risk clients no longer receive optimal prenatal, infant, or maternal care.

Other positions in the Health department will remain vacant for the 2010 fiscal year. An On-site Environmental Health Specialist position (.8 full time equivalents) will be held vacant for all of 2010 based on lower housing activity. However, certain initiatives planned for Environmental Health may be delayed. A County-wide environmental health assessment and the development of an in-house certified drinking water laboratory have been postponed (the County will continue to contract for laboratory services). Development of GIS applications and expanded surface water monitoring initiatives have also been postponed. The Community Services Manager will also be held vacant for the 2010 fiscal year to give staff time to assess if those duties can be absorbed by other managers in light of other program reductions. In addition, a .6 full time equivalent community health nurse and a .8 full time equivalent social worker will also remain vacant during 2010. In total, the reduction of General Fund dollars for Public Health programming totals \$556,000 for 2010, and full time equivalents have been reduced due to elimination or temporary funding suspension by 5.6 full time equivalents.

In addition, the Michigan State University Extension program is being reduced by \$100,000. The reduction results in the elimination of 1.625 full time equivalents of clerical

support and eliminates certain programs for children, youth and families, primarily focused on nutrition. The gypsy moth prevention spraying program is not budgeted for 2010, but funds are available in designated fund balance if the need arises. The I Parenting Plus program which had been reduced in 2009, has also been discontinued, resulting in a decrease in the operating transfer to the Department of Human Services by \$102,000.

In addition to the elimination of over seven full time equivalents with the program reductions discussed above, there are also a number of elected officials/departments that have agreed to either eliminate a position or temporarily leave an approved position vacant as indicated in the table that follows:

Elected Official/Department	Position	Full Time Equivalent	Cost	Comments
Prosecutor	Assistant Prosecuting Attorney I	1.00	\$88,700	Temporarily vacant
Planning & Performance Measurement	Planning Research Analyst	1.00	\$70,064	Removed due to discretionary ranking
Human Resources	Human Resources Specialist	.50	\$23,279	Permanent due to reorganization
Building & Grounds	Housekeepers	5.25	\$250,000*	Permanent due to Reorganization
MSU Extension	Account Clerk II	.60	\$29,078	Removed due to discretionary ranking
MSU Extension	Records Processing Clerk II	1.00	\$53,574	Removed due to discretionary ranking
Sheriff - Jail	Corrections Officer	1.00	\$64,664	Temporarily vacant
Fiscal Services	Records Processing Clerk III	1.00	\$52,816	Permanent due to reorganization
Equalization	Personal Property Auditor	1.00	\$81,427	Temporarily vacant
Sheriff – Auto Theft Grant	Road Patrol Deputy	1.00	\$87,559	Temporarily vacant
Sheriff - Road Patrol	Cadet (Part-time, unbenefitted)	N/A	\$8,872	Temporarily vacant
Sheriff – Administration	2 Clerical (Part-time, Unbenefitted)	N/A	\$19,233	Temporarily vacant
Geographic Information Systems	Intern (Part-time, Unbenefitted)	N/A	\$1,850	Temporarily vacant
Administrator	Intern (Part-time, Unbenefitted)	N/A	\$11,200	Temporarily vacant

* Reflects total savings from the reorganization of Facilities and Maintenance.

Although these positions are not directly associated with a program, they may result in reduced service levels. Specifically, one of the Sentence Work Abatement Program crews has been discontinued with the elimination of the corrections officer. Due to the decrease in GIS

intern hours the historic aerial photo project will be delayed. The elimination of the planning & research analyst has resulted in a reorganization of the department. Several of the transportation projects (e.g. County-wide corridor, non-motorized pathways) and environmental projects (e.g., road salt demonstration, master plan reviews for local units of government) will no longer be supported. The department's resources will be re-directed to economic development efforts which include, but are not limited to, infrastructure planning, brownfield redevelopment, and business assistance programs. The intern position in the Administrator's office may delay the analysis of certain projects such as the mandatory services study.

Although this does not affect the General Fund, 25.15 full time equivalents have been eliminated from the Mental Health budget. The department is in the process of an overall reorganization of services provided and staff alignment which will continue into 2010. Some of the functions of these full time equivalents are now contracted with private agencies, others represent reductions in personnel.

Revenue Adjustments:

One option to balance the budget was to increase the millage. In fact, the original deficit reduction plan of 2005 included a millage increase to 3.7 mills by 2007. The County has continued to levy 3.6 mills. The County is facing uncertainties with possible additional cuts in State funding as well as concerns over its tax base. These concerns will likely exist not just in 2010, but also for several years forward. Administration wants to preserve flexibility to deal with potential future problems.

In addition to taxes, the County collects money for court costs and fines, charges for services and various other collections. The Courts and/or statutes determine the charges for costs and fines. In July of 2009, the District Court implemented new traffic fines for certain violations. These increases ranged from \$10 per ticket to \$75 per ticket. Unfortunately, in April of 2009, the State of Michigan also increased the portion of ticket revenue they receive by \$8 per ticket. It is too early to tell what the net effect of the increases will be.

One of the County's recently adopted financial policies is to have a review of user fees every three years. The County's last complete user fee study was in 2002, and identified \$838,000 in additional revenue. The County Board implemented changes that resulted in an estimated \$475,000 in additional revenue based on that study. The County has contracted for a complete user fee study in the fourth quarter of 2009. Based on the results of the 2002 study, the County is conservatively budgeting an additional \$100,000 in anticipated 2010 revenue based on the study. The Board of Commissioners is also increasing the real estate evaluation fees for services performed by the Health department to cover the cost of the program.

As part of the County's long range plan to limit program reductions, certain revenues will be redistributed over the next few years until the economy recovers. Currently, the Public Improvement fund (2450) receives rent from various County departments to reflect the costs the Public Improvement fund paid for construction or remodeling facilities. The revenue had been credited to this fund to provide money for future capital improvement. Given that the County just completed a major addition to the Fillmore Street facility and the construction of a new Grand Haven Courthouse, significant additional construction needs are not anticipated in the next few years. Since the fund is projected to have \$2.9 million in fund balance at 12/31/2010

and the General Fund is also projected to have \$1.4 million available in designated fund balance, funds are available should an unanticipated need arise. As a result, \$300,000 of rent revenue that had been going to the Public Improvement fund will now be going to the General Fund in 2010. The County is projecting that this rent may continue going to the General Fund in decreasing amounts for up to five years.

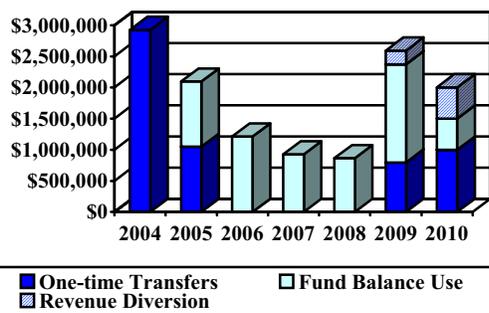
The County is also changing the distribution of the commission revenue it receives on phone calls made by inmates at the County jail. This revenue had been credited to the Telecommunications Fund (6550) to provide funds for telecommunication infrastructure purchases. Given that the fund is projected to have over \$3 million in retained earnings at 12/31/10, funds are available for additional infrastructure purchases. In addition to the estimated \$150,000 in commission revenue, an additional \$50,000 will also be transferred to the General Fund in 2010 from the accumulated commission revenue recorded in prior years. The County is projecting that this revenue may continue going to the General Fund in decreasing amounts for up to five years.

One-time Dollars:

County financial policies stress the importance of matching operating revenues to operating expenditures. However, the County and the State are in a period of significant transition. Our long term financial picture has several unknowns. Rather than eliminate additional programs based on projections, the County is continuing to fund some of them with the use of one-time dollars. The 2010 budget includes a \$1 million transfer from the Stabilization fund (2570). Under Public Act 30 of 1978, the authorizing legislation, one of the purposes of the fund is to “To prevent a reduction in the level of public services or in the number of employees when in preparing the budget for the next fiscal year the municipality's estimated revenue does not appear sufficient to cover estimated expenses.” This is not a long-term solution, but does allow for the continuation of programs until our long-term financial picture becomes clearer.

In addition, the County is budgeting to use \$500,000 of undesignated General Fund fund balance in 2010. Historically, the County has budgeted use of fund balance but has only rarely used a small portion because expenditures have come in lower than anticipated. The County’s financial policies suggest an undesignated fund balance between 10 to 15 percent of the most recently audited expenditures of the General Fund. The County has maintained an undesignated fund balance of 15 percent for several years. If the County used the entire \$500,000, it would still be within the parameters of the financial policy. It should also be noted that the one time dollars of \$1.5 million represent less than 1% of the County’s total governmental funds budget.

General Fund Budget Balancing Strategies



In fact, the County General Fund has been able to significantly decrease its use of fund balance and one time dollars. Specifically, the 2004 Budget as adopted included one-time transfers of \$2.9 million for operations. The 2009 information reflects the plan to address the tax revenue shortfall identified after the adoption of the 2009 budget. With the 2010 Budget, the non-recurring funding sources, the one-time transfers and the fund balance use, total \$2 million.

FUTURE PLANNING CONCERNS

Long-Term Financial Plans: The County's strategic plan addresses the goal of maintaining and improving the financial position of the County. An objective is to identify and develop strategies to address potential financial threats. One method used to identify threats is to project General Fund activity out five years. With the projections developed in 2004, it had become clear that some of the negative revenue trends were not just temporary setbacks, but represented potential long-term operating reductions. In 2005, the County developed the following strategies to reduce future operational deficits:

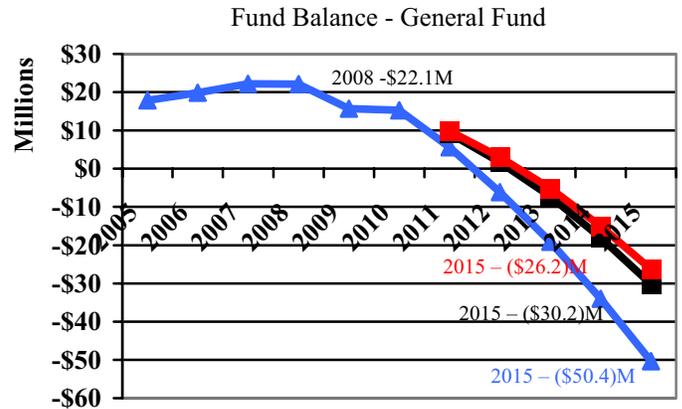
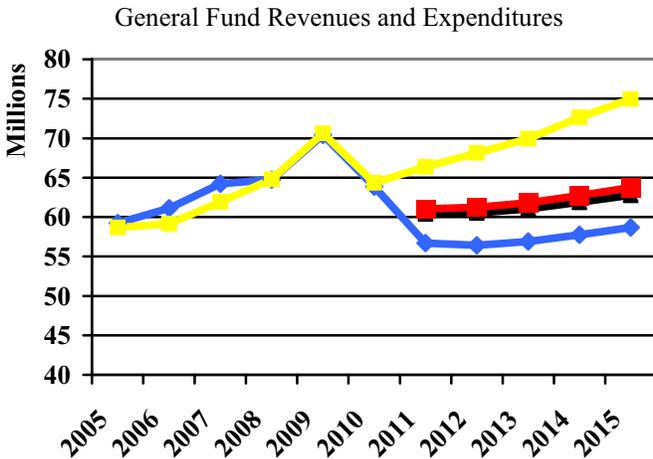
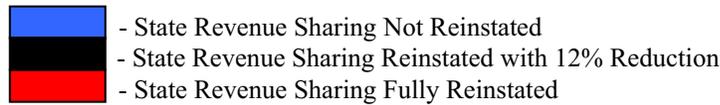
- Raise the operating millage levy .1 mill in 2005, 2006, and 2007.
- General Fund hiring freeze for new full-time positions in 2006
- Increase employee health insurance co-pay from 3% to 10% over time
- Improve disease prevention and management to reduce health care cost
- Review and rank discretionary services for possible reductions

The County has implemented or is in the process of implementation of the strategies. The tax levy has increased by a total of .2 mills, but the final .1 mill increase has been avoided due to the Board's concern over the citizen tax burden. Currently, the difference between what the County could levy and will levy ("the cushion") remains at a healthy \$6.7 million.

As planned in the 2006 budget, the County did institute a hiring freeze for full time positions that would impact the bottom line of the General Fund unless there was an identified negative impact on service delivery. This hiring freeze was extended it into the 2007 and 2008 Budgets. Based on service demands, 6.3 full time equivalents were added with the 2009 budget. However, these increases were balanced with a greater number of decreases in other discretionary programs, resulting in a net decrease in full time equivalents with the budget process. Work on a disease management program is underway, and the remaining strategies have been implemented.

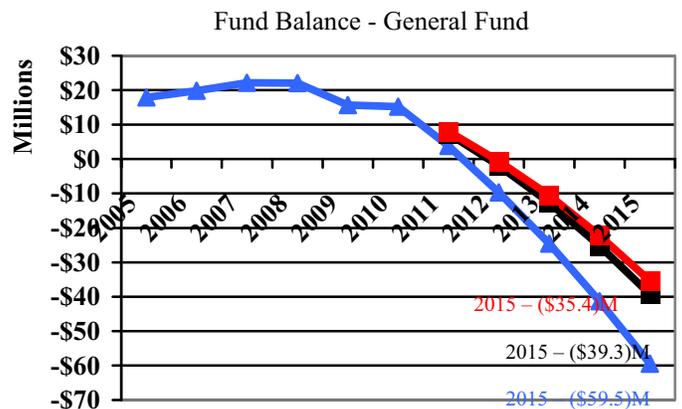
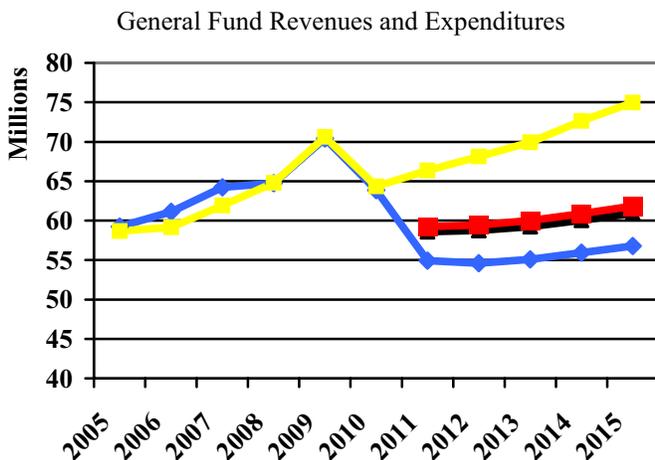
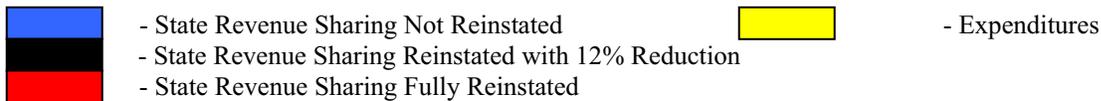
Five Year General Fund Budget Projections: The economic situation for the County government as well as the Country as a whole has been quite volatile in the last year. The most significant impact of the economic downturn has been on the tax base, and tax legislation passed several years ago in the State of Michigan will make recovery in all Michigan municipalities slower than other sectors of the economy. The current projections show that expenditures will continue to outpace revenues, reducing the County's fund balance rather quickly if strategies are not developed to address this issue.

Scenario 1: Optimistic Taxable Value Outlook



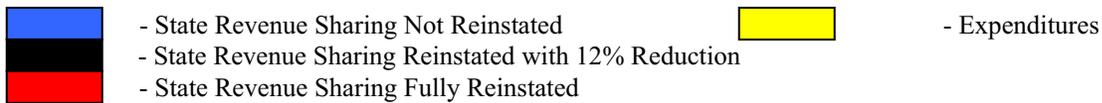
The previous graphs show the sharply increasing gap between revenues and expenditures. These graphs assume changes in taxable value of (5) percent in 2011 (declining taxable value), 0% in 2012, .5% in 2013, 1% in 2014, and 2% in 2015. By 2015, expenditures are projected to outpace revenues by \$12 million if revenue sharing is reinstated with the 12 percent reduction and by \$16 million if it is not reinstated.

Scenario 2: Pessimistic Taxable Value Outlook

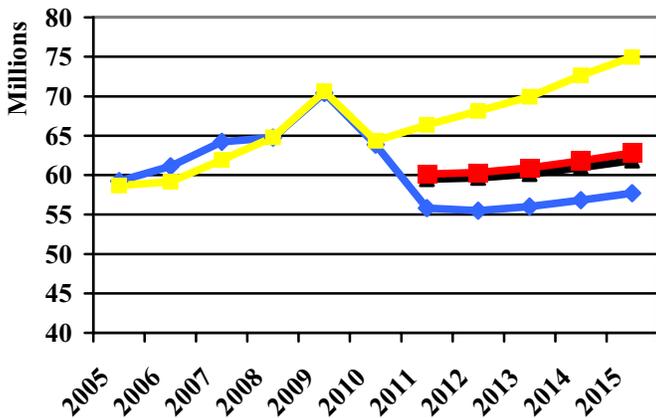


The previous graphs show a larger gap between revenues and expenditures due to decreased tax base projections. These graphs assume changes in taxable value of (10) percent in 2011 (declining taxable value), 0% in 2012, .5% in 2013, 1% in 2014, and 2% in 2015. By 2015, expenditures are projected to outpace revenues by \$14 million if revenue is reinstated with the 12 percent reduction and by \$18 million if it is not reinstated.

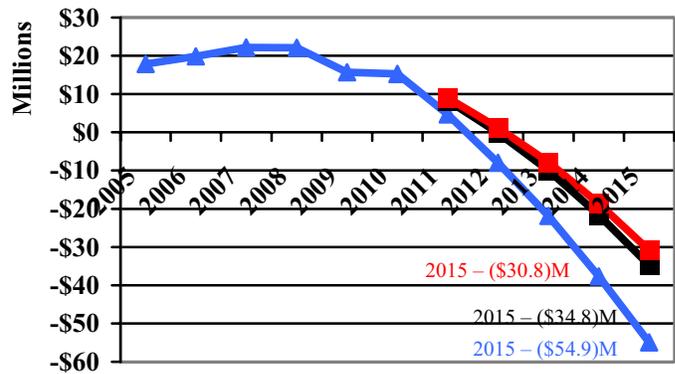
Scenario 3: Moderate Taxable Value Outlook



General Fund Revenues and Expenditures



Fund Balance - General Fund



The previous graphs show a significant gap between revenues and expenditures due to decrease tax base projections. These graphs assume changes in taxable value of (7.5) percent in 2011 (declining taxable value), 0% in 2012, .5% in 2013, 1% in 2014, and 2% in 2015. By 2015, expenditures are projected to outpace revenues by \$13 million if revenue is reinstated with the 12 percent reduction and by \$17 million if it is not reinstated. The reasons for the deterioration follow.

Revenues

Tax Base: *Proposal A* limits increases in the taxable value of property to the lower of the Consumer Price Index or 5%. *Proposal A* changes the value on which the County calculates its tax revenue by approximately \$2.1 billion which equates to over \$7.5 million in County operating taxes. Even though home prices are declining, the State Equalized Value (SEV) for all homes has not reached the Taxable Value (TV), so the County is seeing small increases in the taxable value of property even though the assessed value may be decreasing. The table below reflects the decreasing gap between TV and SEV.

	2005	2006	2007	2008	2009	2010	2011
% of Parcels SEV>TV	84%	80%	75%	66%	45%	30%	25%
% of Parcels SEV=TV	16%	20%	25%	34%	55%	70%	75%

The previous table shows the sharp narrowing of the gap between taxable value and state equalized value. Analyzing the gap is important because if home prices continue to fall, the gap between the taxable value and the assessed value will be closed. At that point, the taxable value will go in the same direction as home prices, so if home prices continue to fall, the tax base will fall at the same rate.

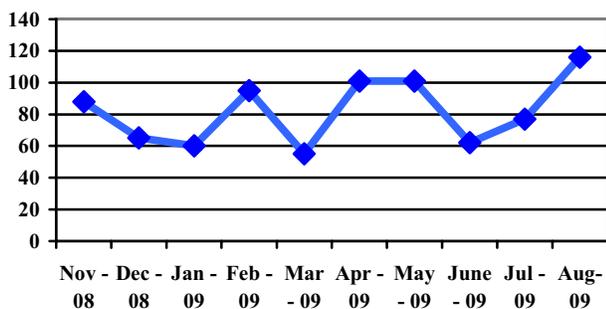
While most people believe home prices will eventually recover, at least partially, the recovery of the tax base will be much slower due to the Proposal A legislation that limits increases on a parcel of property to the lesser of CPI or 5 percent. The table that follows illustrates the time it might take for the tax base to recover on a single home.

Year	% Change in Home Value	SEV	CPI	TV	Change in SEV	Change in TV	Difference SEV -TV
2005		\$90,000		\$75,000			\$15,000
2006	1.0%	\$90,900	1.500%	\$76,125	\$900	\$1,125	\$14,775
2007	1.0%	\$91,809	1.500%	\$77,267	\$909	\$1,142	\$14,542
2008	-5.0%	\$87,219	1.500%	\$78,426	-\$4,590	\$1,159	\$8,793
2009	-5.0%	\$82,858	1.500%	\$79,602	-\$4,361	\$1,176	\$3,256
2010	-5.0%	\$78,715	1.500%	\$78,715	-\$4,143	-\$887	\$0
2011	-10.0%	\$70,844	1.500%	\$70,844	-\$7,871	-\$7,871	\$0
2012	10.0%	\$77,928	1.500%	\$71,907	\$7,084	\$1,063	\$6,021
2013	7.0%	\$83,383	1.500%	\$72,986	\$5,455	\$1,079	\$10,397
2014	5.0%	\$87,552	1.500%	\$74,081	\$4,169	\$1,095	\$13,471
2015	4.0%	\$91,054	1.500%	\$75,192	\$3,502	\$1,111	\$15,862
2016	2.0%	\$92,875	1.500%	\$76,320	\$1,821	\$1,128	\$16,555
2017	2.0%	\$94,733	1.500%	\$77,465	\$1,858	\$1,145	\$17,268
2018	2.0%	\$96,628	1.500%	\$78,627	\$1,895	\$1,162	\$18,001
2019	2.0%	\$98,561	1.500%	\$79,806	\$1,933	\$1,179	\$18,755
2020	2.0%	\$100,532	1.500%	\$81,003	\$1,971	\$1,197	\$19,529

The scenario above reflects a sharp turnaround in home prices in 2012, resulting in the SEV approximating 2009 SEV by 2013. However, the legislation limiting increases in taxable value result in the delay of the TV recovery to 2019 – six years after the SEV has recovered. Bear in mind, these calculations do not reflect the time value of money; in other words, the tax revenue the County would receive in 2019 will not cover as many expenditures as it did in 2009.

There remains considerable uncertainty in projecting property values, particularly for 2011 and beyond. Certain federal initiatives aimed at keeping people in their homes have begun to expire, and it is unknown what the effect on mortgage foreclosures will be. For example, Freddie Mac and Fannie Mae ended their moratorium on mortgage foreclosures on March 31, 2009. The moratorium had been in effect since November of 2008.

Ottawa County Mortgage Foreclosures



The graph to the left reflects the increase in foreclosures in the most recent two months of data for Ottawa County. It is unclear what the time delay between foreclosure activity and the actual foreclosure is, so it may be too soon to determine the impact of the end of the moratorium on foreclosures. The concern is that if banks gain a number of

properties through foreclosure and flood the market with homes, there may well be additional downward pressure on home prices, and by extension, the tax base.

The extension of unemployment benefits may also be temporarily suppressing foreclosure activity. Currently, unemployment benefits last 79 weeks in Michigan. Although unemployment had been increasing steadily for all of 2008, in December of 2008, the Holland/Grand Haven Metropolitan Statistical Area increased sharply to 9.3% (the annual rate for 2008 was 7%). As of August 2009, unemployment stands at 12.9%. This means there may well be a significant increase in the number of people whose unemployment benefits expire in the middle of 2010. If there are insufficient job opportunities, the loss of unemployment benefits may equate to additional mortgage foreclosures. Again, this increased supply of homes on the market is likely to exert additional reductions on home prices.

The end of other federal initiatives may result in a corresponding decrease in demand for homes, particularly on the lower end of the price spectrum. The first-time home buyer tax credit provides a tax credit of 10 percent of the purchase price (with a maximum of \$8,000) for qualifying purchasers. Economists for The National Association of Realtors estimate that 300,000 – 350,000 in additional sales of homes will be stimulated by the credit nationwide. The tax credit is slated to end December 1, 2009. It is unknown if the tax credit will be extended.

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

Tuscola County has had revenue sharing payments resume in 2009. In 2010 there are 12 counties slated to receive partial year amounts and 6 will receive their full amount. The budget proposed by Governor Granholm does include reduced payments to all 18 counties, but the State of Michigan budget has still not been approved. Because both the 2010 and the 2011 budgets will be using federal stimulus dollars to balance the State budget, it is unclear if the State can sustain these payments once the federal stimulus dollars are depleted.

In addition, recent legislative initiatives proposed also concern counties. In late September, members of the House attempted approval of House Bills 5251 and 5252 which would have reduced revenue sharing payments to counties back to 2003 levels. The difference between the current draw on Ottawa County's Revenue Sharing Reserve Fund and the amount from 2003 is \$674,000. These bills were defeated, but at a minimum suggest revenue sharing payment reductions may be proposed in the near future. If revenue sharing is not reinstated for Ottawa County in 2011, the loss of \$4.5 - \$5 million will have to be addressed.

Retained Earnings: In the last two years, the County has contributed \$20 million in cash towards the Fillmore expansion/Grand Haven building project. Fund balances were allowed to accumulate specifically to provide funds for building projects. These were planned

decreases in equity and were considered in the analysis of the long-term financial stability of the County. However, the lower cash balances continue to decrease the amount of investment earnings for the County's operating budget as discussed under investment revenue. At the same time, the project has also decreased the County's equity. The chart below shows the projected changes in the County's equity:

Fund Type	Total Equity 2007	Total Equity 2008	Total Projected Equity 2009	Total Projected Equity 2010
General Fund	\$ 22,146,478	\$ 22,084,426	\$ 15,641,005	\$ 15,194,021
Special Revenue Funds	58,686,988	48,494,841	33,224,633	25,576,159
Delinquent Tax Revolving Fund	24,406,620	24,562,182	24,255,165	24,239,614
Internal Service Funds	33,348,990	28,328,085	28,825,263	28,271,190
Total Equity	\$ 138,589,076	\$ 123,469,534	\$ 101,946,066	\$ 93,280,984

Not all of the decrease in equity is due to the building project. In particular, the Revenue Sharing Reserve fund (discussed earlier) is responsible for \$4.6 million of the decrease in the Special Revenue Funds. Nevertheless, the County still has considerable equity in relation to expenditures. The table that follows illustrates this point:

	2010 Budgeted Expenditures	Estimated Equity	Equity as a % of Expenditures
General Fund	\$ 64,347,534	\$ 15,194,021	23.6%
Special Revenue Funds	84,333,130	25,576,159	30.3%
Delinquent Tax Revolving Fund *	2,836,438	24,239,614	854.6%
Internal Services Funds	22,040,267	28,271,190	128.3%
	\$ 173,557,369	\$ 93,280,984	53.7%

* It is important to note that the fund balance in the Delinquent Tax Revolving fund is significantly more than the cash balance since the fund has a large receivable (\$7.9 million at 12/31/08).

Financial entities should ideally have sufficient fund balance to cover 10-15 percent of expenditures. The County continues to exceed this standard. However, it is important to note that a significant portion of the equity is not available for operations or is designated in some way. Consequently, although these funds may be accessible to the County, using them may have significant ramifications (i.e., increased expenditures) for future operations.

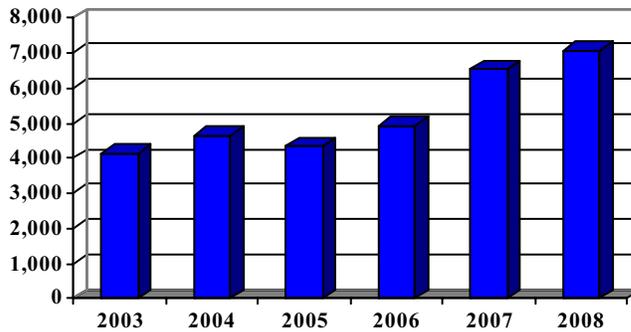
Expenditures

Like most organizations, the County faces continued increases in expenditures, and, over time, these increases negatively impact the provision of services.

General Economic Concerns: Ottawa County has begun to experience the impact of the recession in the State of Michigan. However, there are clear indications that the economy for the nation as a whole is troubled. Government services are generally in greater demand during

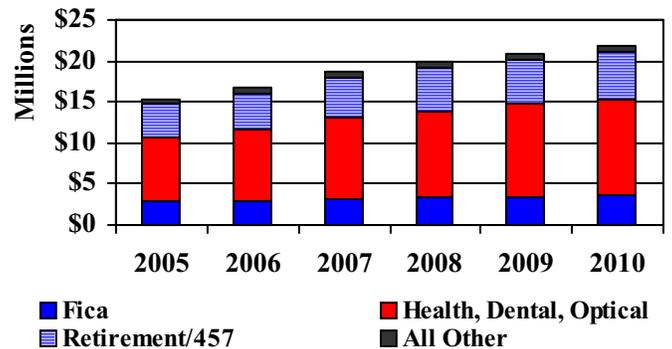
difficult economic times. As people lose their jobs and insurance, they are more likely to come to the Health Department and Community Mental Health for services. Service demands in the Sheriff's office also tend to increase with economic downturn. Defendants in criminal cases in the District and Civil Courts are more likely to request attorney representation which the County is obligated to provide for free if defendants meet eligibility requirements. As people lose their jobs, they default on loans, rent and other obligations, increasing civil claims in the District Court. This trend is reflected below.

District Court General Civil Cases



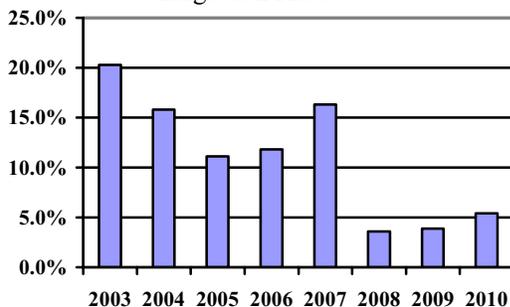
Employee Insurance: Ottawa County has experienced rapidly growing health care expenses for many years. In the graph to the right, the portion in red represents the cost for health, dental and optical coverage. This cost is one of the main drivers in the increase in fringe benefit costs.

Ottawa County Composition of Fringe Benefit Costs



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 cost as well as general medical care has necessitated that a portion of this cost be passed on to employees. In fact, employee co-pays will increase to 10 percent of the total actuarially determined cost in 2010. Additional changes have been made to health insurance benefits for non-represented employees in 2010. Administration has requested bargaining units to consider re-opening their contracts to negotiate the same health plan changes.

Percentage Change in Health, Dental, and Optical Insurance Chargeback Rates



The County has begun to see the benefit of these changes as evidenced by the graph to the left. 2007 was an anomaly as indicated by the much smaller increase in the rate for 2008. The rate for 2009 increased by only 3.9% compared to national trends of 10-12% (for health care). The increase for 2010 is 5.4% which is still well below industry trends. In addition, the Labor Management Cooperation Committee has begun to work on a

health care coach disease management plan to help keep claims cost down.

Retirement Cost: The County currently provides a defined benefit retirement system for employees through the Municipal Employees’ Retirement System of Michigan (MERS). In February of 2009, the County received correspondence from (MERS) regarding the results of their most recent actuary study of the system as a whole. The actuary study found that certain assumptions used in prior actuary studies (and upon which contribution rates had been based) differed from actual experience. Specifically, the study observed lower employee turnover rates and higher rates of employee retirement than previously projected. In addition, final average compensation has been higher than projected due to higher increases in pay or lump sum payments made at or shortly before retirement (generally due to payments for accrued paid time off, vacation time, etc.).

In addition, the sharp decline in investment market values in 2008 resulted in a 25 percent loss in value for MERS assets. In keeping with MERS policies, the impact of this loss is spread over 10 years. As a result, the 2010 MERS contribution rates are projected to increase by six percent to address the loss in market value. Future market returns will be analyzed to determine if further adjustment is required. If average investment returns over the next few years do not exceed eight percent, additional contribution rate increases may be necessary. The change in actuary assumptions and the adjustments necessary due to asset value loss have resulted in the following projected increases:

Actuarial/Other Issue	Year Affected	Estimated % Increase	Accumulated % Increase	Accumulated Estimated Cost
New Employee Turnover Rates	2010	10%	10%	\$483,427
Market Value Loss Adjustment *	2010	6%	16%	\$773,484
New Retirement Rates	2011	6%	22%	\$1,063,541
Increases in Final Average Compensation	2012	2%	24%	\$1,160,230

** Additional increases may be necessary if market returns do not improve as assumed.*

As mentioned earlier, the County is analyzing the possibility of changing from a defined benefit program to a defined contribution program for new employees. The cost of these assumption changes emphasize the need to explore other retirement options for employees.

Legislative Issues

1985 Supreme Court Administrative Order: In the summer of 2009, the County’s Juvenile Services Division was notified that the State Court Administrative Office (SCAO) was going to begin enforcing an administrative order from 1985 regarding probation officer requirements. The order requires counties to maintain a ratio of one probation officer to every 6,000 children under the age of 19 within the County. For Ottawa County, the cost estimated to implement this order is \$1 million. According to the Department of Human Services, probation officers are considered a judicial function and are not eligible for 50 percent funding through the Child Care Fund. In Ottawa County, the employees meeting the education requirements for probation officers (per the SCAO order) are detention workers and caseworkers, all of whom are currently charged to the Child Care Fund. The County Juvenile Services Director and Circuit Court Administrator are working on strategies to reduce the County’s financial exposure and are

in communication with SCAO to negotiate a more tenable implementation for counties throughout Michigan.

State of Michigan and Children’s Rights, Inc. Settlement: During 2008, a settlement was reached between the State of Michigan and Children’s Rights, Inc., an advocacy group based in New York, regarding the death of five children placed in Michigan foster care homes. The terms of the settlement include that all foster home placements must occur in licensed homes. In general, in Ottawa County, youth placed with family are typically in unlicensed homes and youth in non-family placements are in licensed homes. This arrangement has been the result of a State focus on keeping youth in the homes of relatives as much as possible so the change to require all placements to occur in licensed homes is a shift of policy at the State level as a result of the settlement of the lawsuit. Early estimates place the cost to the County at \$500,000 annually.

A second requirement of the settlement usurps local control. The bottom line of this change is a transfer of Child Care Fund responsibilities currently managed by the Court and County to a new Child Welfare Director who would not be responsible to the Court, County or even the local Department of Human Services Board, but to State officials. This is a significant reduction in local control. Though this provision currently applies to only to Michigan’s five largest counties, if deemed successful, it very likely will apply to other Michigan counties. The County is analyzing this as a potential Headlee Act violation and will be in contact with other counties and Michigan Association of Counties on this issue.

Proposed Property Tax Legislation: The economic downturn has sparked new legislation at the State level to provide property tax relief to citizens. The Michigan House of Representatives passed House Joint Resolution III (HJRIII) in early October, 2008 which would hold property tax assessments flat in any year when the property’s State Equalized Value dropped. No recent action has been taken on the measure, but the potential remains for its reconsideration. The early estimate for the impact of the legislation is that it would reduce Ottawa County tax revenue by approximately \$500,000.

Revised Five Year Deficit Reduction Plan

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

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

- Review the potential change in the MERS defined benefit retirement system or its replacement with a defined contribution benefit for new hires.
- Annual review of health insurance plan for appropriate changes and the implementation of a health management plan
- Review and analysis of other fringe benefit costs
- Departmental efficiency studies to reduce cost
- Secure funding for technological advances that will create efficiencies and reduce future costs
- Comprehensive analysis of services provided by the County's departments and outside agencies to eliminate redundancy of services provided
- Performance Measurements and ranking of mandated and discretionary services will be used in the analysis of programs for possible budgetary reductions
- Implementation of the Budget Principals approved by the Board of Commissioners to guide budget decisions

Financing Tools that Help Address Concerns

As budgeting becomes increasingly difficult, 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 2010 Budget is as follows:

- Solid Waste Clean-up Fund (2271) is continuing to pay the clean-up cost on the Southwest Ottawa Landfill (\$180,000).
- Infrastructure Fund (2444) had been established to loan funds to municipalities for infrastructure development. The loans made since inception total \$2,155,000. Currently, the fund is also contributing \$125,000 per year toward the Fillmore expansion/Grand Haven building project for debt service payments. These payments will continue through 2027. The County has applied for an Economic Development Administration Revolving Loan Fund Grant. If the grant is awarded, the County anticipates the fund will provide \$500,000 in matching dollars for economic development grants.
- Public Improvement Fund (2450) includes \$300,000 available for any building construction/renovation projects that may be identified in 2010. In addition, the 2010 budget includes a portion (approximately \$188,000) of the estimated debt service payments for the bonds issued in 2007 for the Fillmore/Grand Haven project. Beginning with the 2010 budget \$300,000 of rent revenue that had previously been recorded in this fund will now be recorded

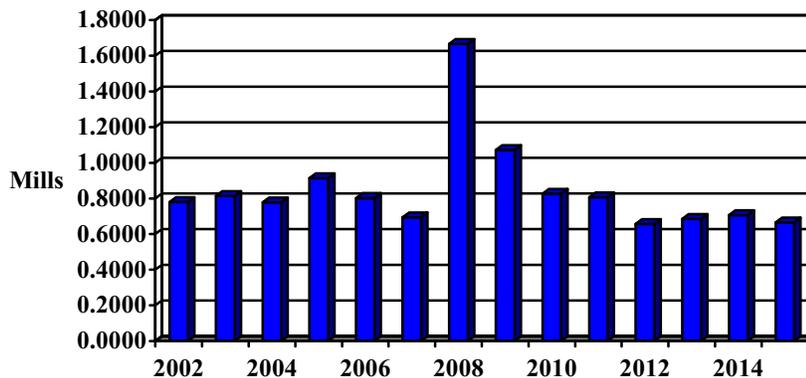
in the General Fund for operations. The County anticipates this may continue through 2014 then gradually return to the Public Improvement fund by 2017.

- Stabilization Fund (2570) is providing the General Fund with \$94,000 in interest earnings. In addition, the fund provides additional flexibility to deal with unexpected occurrences that have the potential to negatively impact finances. The General Fund is making use of that in 2010 with the transfer of \$1 million to cover General Fund operations.
- Delinquent Tax Revolving Fund (5160) is funding bond payments of \$2.5 million on five bond issues, and is contributing \$150,000 per year for debt service requirements on the Fillmore/Grand Haven project.
- 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 2010 is just over \$1.6 million, and an additional \$500,000 is under review (though not reflected in the budget). Telecommunications is also contributing approximately \$150,000 per year for debt service requirements on the Fillmore/Grand Haven project.

Beginning with the 2010 budget, the estimated \$150,000 of commission revenue the County receives from the inmate phones at the jail that had previously been recorded in the Telecommunications fund will now be recorded in the General Fund and used for operations. The County anticipates this could continue through 2014 then gradually return to the Telecommunications fund by 2018. The fund will also contribute an additional \$50,000 from accumulated commission revenues for 2010 – 2014.

The Financing Tools play a major role in reducing our tax levy. The amount for 2010 equates to 0.8251 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

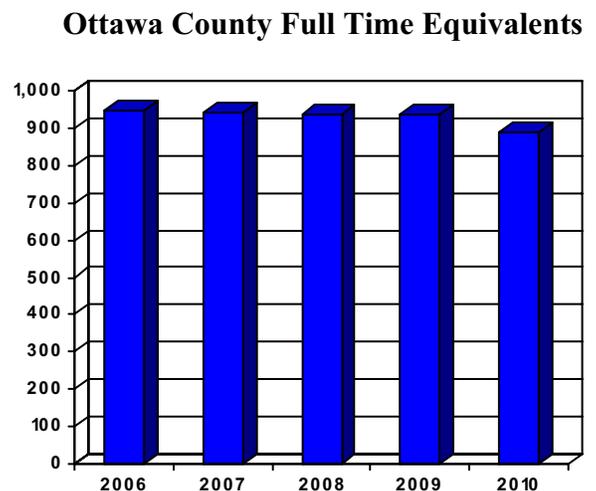
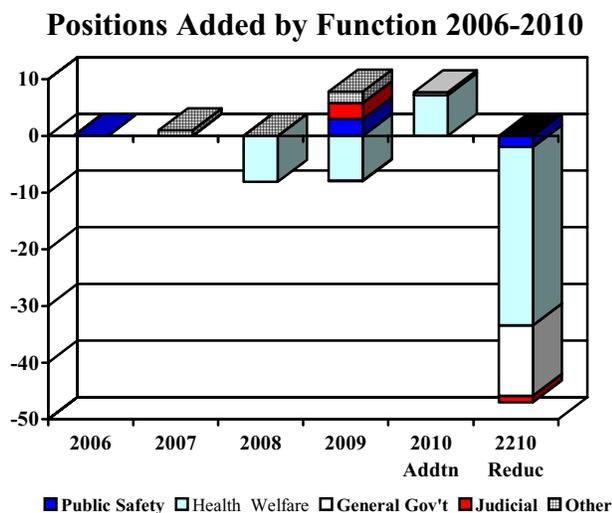


The amounts for 2008 and 2009 are much higher as they reflect the construction of the new Grand Haven Courthouse and the Fillmore Street addition. Several financing tools have participated in this endeavor.

PROGRAMMATIC ISSUES

Staffing Needs: Ottawa County, the eighth largest county in the State of Michigan, is also the third fastest growing county in the State in 2009 as well. The population has grown by more than 25,000 during the past 10 years, resulting in additional service demands. Due to the budgetary concerns of recent years, the County imposed a General Fund hiring freeze for the 2006, 2007, and 2008 budgets. The hiring freeze affected requests for new permanent, full-time positions that would result in a net increase in General Fund expenditures unless the position is required for a new facility or required to meet critical citizen service needs. Due to increased service demands and community policing contractual requirements, the County added 6.3 full time equivalents in 2009. However, the reductions made in other departments essentially kept the total number of full time equivalents steady. New personnel approved with the 2010 budget include primarily grant funded positions in connection with the federal stimulus funds.

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 2006 - 2010 added/subtracted through the budget process and the total number of full time equivalents for 2006 – 2010:



The 2010 budget process resulted in a decrease of 38.5 full time equivalents over all, net of increases of 7.7 full time equivalents. Full time equivalents in the Mental Health department show the largest decrease – 25.15 full time equivalents. Mental Health is in an ongoing reorganization process and is adjusting staff as appropriate when funds are available. Some of these functions these positions provided have been contracted with private agencies. In the General Fund, 5.25 full time equivalents have been eliminated in Facilities & Maintenance. As mentioned previously, the Grand Haven Courthouse and the Fillmore Street Administrative office will be cleaned by contracted help. Cleaning services for all facilities will be reduced.

Full time equivalents in the Health fund are decreasing by approximately 6.3 full time equivalents due primarily to the budget reductions. Various other departments have either reduced staff or have agreed to leave positions open for the 2010 fiscal year. The Michigan

Works!/Community Action Agency programs are adding 7.2 full time equivalents due to the federal stimulus funds.

Equipment/Technology Needs: Although the County has been conservative with personnel additions, it has taken steps to help departments complete their work more efficiently. In many cases, the County, through the implementation and use of technology, has delayed or eliminated the hiring of additional staff. The County continues to look for opportunities to use existing technology to meet operational needs, improve efficiency and maintain a viable technical capability. During 2009, the County replaced three legacy software applications for the Health Department, Register of Deeds and Property Description and Mapping. The County Technology Plan provides a strategic guideline for expected technology investments over five years. This plan is updated annually to serve as a framework for understanding County technology needs and priorities, and for making budget estimates. The County has been conservative in expanding new equipment and extended the life of existing equipment as a cost saving method.

Public Health implemented a new system in April 2009, after a year of testing and configuration. This system replaces a legacy system implemented in 1998. The capabilities of this system increase the information available to staff and management to support operational needs and decision making, and enhance the accuracy and delivery of service.

The Register of Deeds implemented a new Land Management System in June 2009. The new system provides new workflow capabilities and improved integration with other systems. The software was selected after a one year process involving a team led by the Register of Deeds to review, evaluate and select the new system. This system was funded with the Register of Deeds Technology fund. The County also will upgrade the applications related to Land Management: Tax, Assessing and Drains Assessing applications. Additional integration is being developed to improve information sharing between the systems and departments and to support public access to information through GIS and the web site.

The County began the work to replace the County's justice system that has been in use since 1996. Currently user teams provide strategic oversight, define requirements, and review Functional Specifications. This is a multi-year effort. Side benefits have included developing short-term solutions, and increased interdepartmental communications. The 2010 budget includes \$302,000 for development efforts.

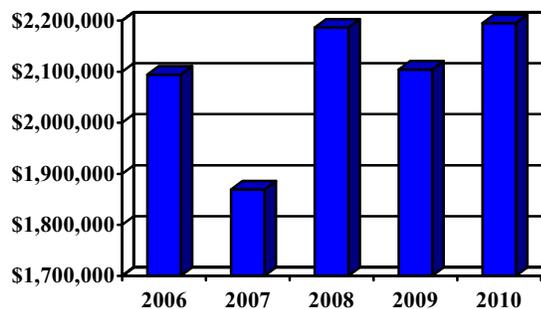
The contract with WebTecs, Inc has been renewed through August 2010 to include full time development, content management and help desk services. Priority will be given to content that can be delivered on-line, provide convenience to the public, reduce staff time, and generate revenue. During the past year, an on-line hiring system was developed on the County web site automating the process for applicants, Human Resources and department hiring supervisors. Current developments include accounts receivable receipting and law enforcement reporting applications. These will increase the efficient interaction between the County and external organizations and agencies. The Geographic Information Systems (GIS) site has been upgraded to provide the updated color orthophotography completed in 2008. At the current time, there are twenty GIS subscriber accounts. The IT department continues to look for ways to collaborate with and assist local units of government. This primarily has been through the County web site and GIS. Hosting of electronic documents has been offered to local units, with the first local

unit expected to participate over the next year. The 2010 budget includes \$234,000 for this effort.

The IT department completed a study of the County phone system and recommended an upgrade to the existing system. This upgrade is planned for 2010. The recommended upgrade will extend the life of the current phone system for seven to ten years, provide consolidation of switches with redundancy, simplify management and provide additional capabilities including Call Center and E-mail/Voice integration.

In addition to the initiatives above, the 2010 Budget includes approximately \$2.2 million for other equipment and technology needs. The following graph shows the dollar amount of equipment added each year from 2006 to 2010 during the budget process:

History of Approved Equipment



BOARD OF COMMISSIONERS GOALS

Goals and objectives were identified by the Board of Commissioners in a strategic/business plan adopted in March, 2006 and most recently updated in January, 2009. Many different programs and areas are included. The section that follows discusses goals and objectives that are specifically addressed in the 2008, 2009 or 2010 Budget.

Financial Stability:

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

Objective: Continue to advocate that the State of Michigan remain committed to continuing county revenue sharing

Objective: Identify and develop strategies to deal with potential financial threats

Objective: Identify and develop a plan for funding legacy costs

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

Objective: Implement and continue processes to ensure appropriate staffing levels and pay

Objective: Maintain or improve bond ratings

Budget Ramifications: The 2010 budget reflects changes to the health care plan for employees not represented by bargaining units. When the new rates are implemented for all employees, the anticipated annual savings to the County total \$787,000. During 2009, the County is utilizing a consultant to further study the impact of changing from a defined benefit

pension plan to a defined contribution pension plan for new employees. The results of the study are anticipated in early 2010. Administration is currently refining additional components to the five year deficit reduction plan.

The wage and job classification study with West Michigan Compensation Consultants is nearing completion, and staff have been trained to review compensation internally. The 2010 budget includes \$150,000 to accommodate potential changes from the study. Bond ratings for the County have been maintained throughout 2009. The other objectives have already been met or are ongoing.

Communication:

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

Objective: Develop and implement a comprehensive legislative action plan to communicate with legislators.

Objective: Develop and implement a comprehensive communication plan to communicate with the public.

Objective: Continue to develop and implement methods of communicating with employee groups.

Objective: Continue to improve communications with Commissioners.

Objective: Identify and appoint the best applicants to boards and commissions

Objective: Strengthen role in state, regional and national professional organizations

Budget Ramifications: One of the key components of the County’s legislative action plan is the lobbyist; the 2010 budget includes \$37,500 for a lobbyist to represent the County on legislative matters. The 2010 budget includes \$20,000 for a citizen survey to better understand community priorities and assist in decision making. A communication plan has been presented to the Board of Commissioners, but no budget impact is reflected in the 2010 budget. The last citizen survey was completed in 2008. Listed below are three questions asked on the 2008 survey and the survey results:

Taxes and Services:

Response	Question
37%	In light of the current budget situation in Ottawa County, it is important to maintain existing county services and programs, even if it means having to pay higher taxes.
53%	In light of the current budget situation in Ottawa County, it is important to keep taxes and fees as low as possible, even if it means reducing county services and programs.
10%	Undecided/Don’t know/Refused

Community Needs:

What would you say is the single, most important problem or issue facing the residents of your community that your local city, village, township, or county government must address?

Response	Problem	Response	Problem
27%	Unemployment	2%	City planning
9%	Economy	2%	City services
8%	Taxes	2%	Environment
7%	Roads	1%	Diversity
6%	Nothing	1%	Gas prices
5%	Housing crisis	1%	Government spending
3%	Crime & drugs	1%	Health care
3%	Education	1%	Morals/Values
3%	Growth	1%	Scattered "other"
3%	Poor local leadership	14%	Undecided

Of the following list of problems and issues residents of Ottawa County which one problem or issue you are personally concerned about the most?

Response	Question
37%	Providing economic development and jobs
14%	Protecting the public from crime and drugs
5%	Controlling unplanned development and sprawl
9%	Keeping local taxes and fees low
7%	Maintaining and improving area roads
6%	Improving the quality of area schools
4%	Preserving prime farmland and open space
3%	Providing quality basic city, township or county services
6%	Protecting the environment in the area
3%	Controlling traffic congestion
3%	More than one [ASK] "But which problem concerns you most?"
3%	Undecided/Don't know/Refused

The results of this survey are reflected in the 2010 budget in that no increase in the millage has been included in the budget (even though the County could authorize one with a vote of the Board of Commissioners). Instead, services and cost have been reduced to help balance the budget. In addition, the 2010 budget reflects the establishment of a \$500,000 revolving loan fund to provide matching dollars for federal grants related to economic stimulus. Last, one of the planning analyst positions in the Planning and Performance Improvement department will be redirected to work on economic development. Although there are some small personnel reductions in the Sheriff's department, road patrol functions have been left intact in the 2010 budget.

The County's website, miottawa.org also assists in communicating with the public. The 2010 Budget includes \$234,000 for miottawa.org maintenance and development of new services discussed previously under "Technology." The 2010 Budget no longer includes funds for a printed copy of the County's annual report to citizens, but the report will be available on

miottawa.org. During 2009, County staff held citizen budget meetings in preparation for the 2010 budget process in various locations within the County, and this practice will continue in 2010. The presentation provided information on the impact to the County budget if revenue sharing is not reinstated as well as other relevant financial and operational information.

Human Resources has included in its training initiatives seminars conducted by Human Resources staff to educate employees about their benefits. In an effort to obtain the best applicants for County boards and commissions, a database has been initiated to manage the appointment process. Last, several staff hold leadership roles on state and national professional association boards and committees. Some of these associations follow:

Employee/Official	Position	Agency	Agency Position
Kevin Bowling	Circuit Court Administrator	National Association for Court Management	Secretary/Treasurer
Ronald Frantz	Prosecutor	Prosecuting Attorneys Association of MI	Past-President
Michael Galligan	Equalization Director	MI Association of Equalization Directors	Vice-President
Paul Geerlings	Drain Commissioner	MI Association of County Drain Commissioners	Vice-Chair of NorthWest District
Matthew Schmid	Friend of the Court Investigator	MI Family Support Council	President of SouthWest Region
Gary Scholten	Register of Deeds	MI Association of Register of Deeds	District Chair; Conference Chair
Gary Scholten	Register of Deeds	United County Officers Association	Education Chair
Alan Vanderberg	County Administrator	International City/County Management Association	State Representative
Alan Vanderberg	County Administrator	MI Local Government Management Association	President-Elect
Alan Vanderberg	County Administrator	MI Association of County Administrative Officers	Secretary

Quality of Life:

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

- Objective: Investigate opportunities to impact the negative consequences of development
- Objective: Consider opportunities to establish a county-wide land use and economic development planning organization
- Objective: Examine environmental quality and water quality policies and develop a research-based, water quality action plan
- Objective: Provide quality County Facilities throughout the County
- Objective: Discuss and act upon road policy issues as appropriate
- Objective: Identify and develop strategies to address potential new initiatives

Budget Ramifications: The 2010 Planning Commission budget (Fund 2420) includes \$25,000 to take advantage of economic attraction opportunities. As mentioned previously, \$500,000 for a proposed revolving loan match fund for economic development has been reflected in the Infrastructure Fund (Fund 2444), and Planning and Performance Improvement is designating one of their analyst positions for economic development. The Planning and Performance Improvement budget in the General Fund (1010-7211) also includes over \$51,000 for the County's economic development consultant.

Construction of the new \$24 million Grand Haven Courthouse has been completed during 2009 and provides adequate space and facilities for services provided there (primarily judicial). The 2010 facilities and maintenance budget reflects the cost of the larger facility. Construction has also begun on a new storage facility for County property.

In addition, because of the rapid growth in the County, concern over green space and waterway access has become increasingly important. The 2010 Parks and Recreation budget includes a .3165 mill levy for park development, expansion and maintenance. This levy was renewed by the citizens in August of 2008 and authorizes the levy for ten years. The 2010 Parks and Recreation budget includes a total of \$3.4 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: Prioritize mandated and discretionary services

Objective: Continue implementation of outcome-based performance measurement system

Objective: Establish better employee-management communications

Objective: Ensure the continuity of government in the event of a disaster.

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

Objective: Complete labor negotiations with applicable employee groups

Budget Ramifications: The 2010 budget reflects the accumulated cost benefits of efficiency and organizational studies performed on the following departments: Equalization and Property Description and Mapping, Fiscal Services and Administrative Services, Parenting Plus, and Veteran's Affairs. During the last quarter of 2009, Plante Moran is performing an organizational study on the Fiscal Services department.

The Planning Commission budget (Fund 2420) includes \$1,600 to provide basic training seminars for the local units and \$8,000 for partnerships with local governments to hire consultants for transportation plans. The County recently approved a partnering agreement with Park Township to provide imaging services for \$11,000 per year which is based on their share of expenses. The County's website is also hosting Spring Lake Township in its online payment center for tax payments from Spring Lake Township residents, and the County will receive a portion of the convenience fees collected for the services. The County is also in discussion with

municipalities within the County to provide website capabilities for their unit within miottawa.org, the County's website.

During 2009, the County Board completed an additional ranking of discretionary services (the first ranking was completed in 2007), and these were used as an additional decision-making tool in the 2010 budget process. Existing staff resources are currently compiling information on mandatory services to identify potential areas for reduction where a specific service *level* is not mandated. The initiative has proven difficult, but staff continue their efforts.

In addition, the 2010 budget includes the continuation of outcome based performance measures and program evaluations. During 2009, the Planning and Performance Improvement department and staff from the Administrator's office have been working with departments to further refine goals, objectives, and performance measures. In addition, the 2010 budget includes \$50,500 for various new employee training programs above those currently provided by Information Technology. Contract negotiations are currently underway with the County's bargaining units.

BUDGET SUMMARY

The 2010 Budget reflects the on-going implementation and refinement of the action plans addressed in the Ottawa County Strategic Plan. The fluctuations between the 2009 and 2010 Budgets are the result of the previous discussion. A comparison of the 2009 and 2010 Budgets follows.

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

<u>Source</u>	<u>2009 Amended Budget</u>	<u>2009 Percent of Total</u>	<u>2010 Proposed Budget</u>	<u>2010 Percent of Total</u>	<u>Percent Increase (Decrease)</u>
Taxes	\$ 44,622,425	24.6%	\$ 42,479,050	28.0%	-4.8%
Intergovernmental Revenue	65,142,792	35.8%	61,938,091	40.8%	-4.9%
Charges for Services	12,534,629	6.9%	11,607,183	7.6%	-7.4%
Fines and Forfeits	969,600	0.5%	988,300	0.7%	1.9%
Interest on Investments	1,584,464	0.9%	882,578	0.6%	-44.3%
Rental Income	6,529,021	3.6%	6,183,476	4.1%	-5.3%
Licenses and Permits	697,770	0.4%	667,867	0.4%	-4.3%
Other Revenue	1,928,020	1.1%	1,785,127	1.2%	-7.4%
Operating Transfers In	27,844,253	15.3%	17,205,054	11.3%	-38.2%
Fund Balance					
Use/(Contribution)	<u>19,705,537</u>	<u>10.9%</u>	<u>8,095,370</u>	<u>5.3%</u>	-58.9%
Total Revenues	<u>\$ 181,558,511</u>	<u>100.0%</u>	<u>\$ 151,832,096</u>	<u>100.0%</u>	-16.4%

Taxes serve as the primary revenue source for the General Fund, E-911, and Parks and Recreation Fund. The 2010 tax revenue budget includes levies for the following purposes:

	<u>Millage for 2010 Budget</u>
General Operations	3.6000
E-911	.4400
Parks and Recreation	<u>.3165</u>
	4.3572

As discussed earlier, the County is choosing to levy 3.6 mills rather than its maximum allowable. Consequently, the decrease in revenue is due completely to the decrease in taxable value. It should be noted that in the comparison table above, the 2009 budget has not yet been adjusted for the lower anticipated tax revenue as the sources identified to cover the shortage will depend on the final total activity of the General Fund. The 2009 estimate for taxes is \$43,793,030, so 2010 represents a 3 percent decrease. This is less than the 3.3 percent decrease for the 2010 operating levy because taxes include the E-911 and Parks levy which are based on the 2009 taxable value.

Intergovernmental Revenue represents 40.8 percent of the Governmental funds revenue budget and is decreasing. Major fluctuations by fund/area follow.

Parks and Recreation	(\$2,169,000)
Mental Health	1,459,000
Workforce Investment Act (WIA) Funds/ Community Action Agency/Weatherization	(1,281,000)
Child Care Fund	(322,000)
Other Grants	(925,000)

Intergovernmental Revenue in Parks and Recreation (2081) fund is decreasing because the 2009 budget includes a \$2 million Michigan Natural Resources Trust Fund grant for the Olive Shores property. The increase in Mental Health intergovernmental revenue is in Medicaid funding based on a projected four percent increase in reimbursement rates, a one percent increase in the client population, and additional clients in connection with the closing of the Mount Pleasant facility.

Workforce Investment Act (WIA) as well as the Community Action Agency (2870) and Weatherization (2890) programs reflect a decrease because funding is uncertain. In observance with the County's budgeting philosophy, nothing is budgeted in these funds until grant notification from the State is received. In addition, the 2009 figures may include grant carry forward revenue from prior years which are not budgeted in 2010 as the County does not have approval for those carry forward revenues at this time. In particular, the 2009 budget includes \$920,000 for the Trade Adjustment Assistance debit card program which issues debit cards to eligible clients to pay tuition at approved colleges and a \$500,000 No Worker Left Behind grant for additional job training services for which the County has not received renewal information. The County received \$950,000 more in dislocated worker funds than currently authorized for 2010. Additional money may be added to the 2010 grant during the year, but no formal notification has been made. The overall decrease for these funds is \$1.28 million. However, funding for Weatherization programs is increasing by over \$1 million in connection with federal stimulus money.

Funding for the Child Care fund is decreasing slightly because 2009 reflects the anticipated payment of \$250,000 in connection with enhancements made to the case management system. 2009 also reflects payments for State wards from other counties held in our detention center. It is difficult to determine the number of youths that will be State wards, so State ward housing is reflected in charges for services.

There are also several non-recurring grants that account for the remainder of the difference:

Grant	Fund	2009 Budget
Homeland Security	1010	\$92,000
MDOT Transit Study	1010	\$105,000
Drug Court	2170	\$190,000
Federal Stimulus - Equipment	2609	\$169,000
Safe Havens Domestic Abuse	2750	\$369,000

The Homeland Security grant covers expenditures to develop the regional response coordination framework for catastrophic events. Although funding has been on-going, the County has not yet been notified of funding for 2010. The MDOT Transit study grant is a one time grant to conduct a County-wide transit needs assessment and feasibility study. Completion of the project is anticipated in 2009.

Drug Court funding has been ongoing for several years, though the grant awards have been smaller. The County has not yet been notified if funding is available for 2010. The Federal Stimulus grant represents one time dollars used to purchase a patrol boat and replace the mugshot identification system. In 2009, the County also served as a pass thru agent for the Safe Havens grant in conjunction with the Center for Women in Transition. The grant provides for the safe, supervised exchange of minor children by and between parents involved in domestic violence, sexual assault, stalking, dating violence and child abuse. The County has not received notice of renewal for the grant.

Charges for Services revenue, at just 7.6 percent of total revenue, is decreasing 7.4 percent. The main area of decrease is in the Register of Deeds department (\$615,000). New construction has plummeted from previous levels, and the tax credit for first time home buyers, part of the federal stimulus package, is scheduled to end December 1, 2009. Interest rates have already reached an all-time low, so most refinancings have been completed. Charges to departments for indirect administrative cost is decreasing \$135,000. The revenues from this line can vary from year to year depending on changes in the allocation by department and the total cost to be allocated. The largest area of decrease is in the District Court. The 2009 amount included a roll forward adjustment for building charges related to the Holland District Court facility which the Court occupied in 2006. In addition, the 2009 budget includes approximately \$193,000 for the sale of red pine timber harvested from County parks. The harvest is expected to end in 2009. However, commission on the jail phones used by inmates (\$150,000) had previously been recorded in the Telecommunications fund, an internal service fund. This revenue will be recorded in the General Fund in 2010 and possibly for the next four years as well.

Interest on Investments reflects a decrease of \$702,000 or 44.3 percent. The decrease is due to a combination of low return rates on allowable investments and the lower cash balances of the County discussed earlier.

Rent Income is decreasing 5.3 percent. The Ottawa County Building Authority is the owner of several County facilities, and there are lease agreements between the County and the Building Authority. A portion of the rent charged to departments occupying the facilities is for bond payments, and this portion is credited to the Building Authority. During 2009, the final bond payment was made for the Ottawa County Central Dispatch Authority issue (\$399,000) which eliminates the 2010 rent related to bond payments for this issue.

Licenses and Permits revenue is decreasing primarily in the Health fund because new construction is down, reducing collections on water and sewer permit fees.

Other Revenue is decreasing primarily in the Mental Health Fund. The revenue mix changes as different clients enter and exit the system. Some are Medicaid funded, some have private insurance, and some have various other funding sources. The reduction in this revenue source reflects the variable funding sources.

Operating Transfers In is decreasing due to the building project. Specifically, \$9.5 million has been transferred from other funds to the Building Authority Capital Projects fund for project completion; no additional transfers are needed. In addition, during 2009, the Jail Health Services program was moved from the Health Fund to the General Fund. The 2010 budget reflects a full year in the General Fund with a correspondingly smaller transfer to the Health Fund (\$269,000). Program cuts to the Health fund discussed earlier resulted in an additional \$480,000 reduction in the transfer. Due to changes in grant reimbursement, the Friend of the Court fund has an additional \$209,000 available at year end. This amount will be used to reduce the 2010 transfer. With the 2010 budget process, the \$298,000 transfer to the Parks and Recreation Fund was eliminated. However, transfers to the General Fund are increasing by \$550,000 for operations.

Fund Balance usage varies mostly as a result of capital projects. As discussed under operating transfers, \$9.5 million is being transferred from the General Fund and Public Improvement Fund for the completion of the construction project in 2009. These two funds are using fund balance for this purpose. The General Fund portion for the project, \$5.59 million, is coming from *designated* fund balance. In addition, the Parks and Recreation Fund is using \$2 million more in fund balance for the Olive Shores property purchase. Although the changes balance each other, the 2009 budget includes a \$1 million of fund balance and the Compensated Absences fund is using \$500,000 of fund balance to cover General Fund operations. In 2010, the County is using \$1 million from the Stabilization fund and \$500,000 from the General Fund for operations.

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).

Information on expenditures follows.

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

Use	2009 Amended Budget	2009 Percent of Total	2010 Proposed Budget	2010 Percent of Total	Percent Increase (Decrease)
Legislative	\$598,494	0.3%	\$530,254	0.3%	-11.4%
Judicial	15,012,770	8.3%	14,292,126	9.4%	-4.8%
General Government	18,505,313	10.2%	16,561,858	10.9%	-10.5%
Public Safety	29,508,907	16.3%	28,920,039	19.0%	-2.0%
Public Works	1,041,326	0.6%	1,277,344	0.8%	22.7%
Health & Welfare	64,778,717	35.6%	63,246,684	41.7%	-2.4%
Culture & Recreation	10,042,184	5.5%	5,578,447	3.7%	-44.4%
Community & Economic Development	868,390	0.5%	685,592	0.5%	-21.1%
Other	897,286	0.5%	902,351	0.6%	0.6%
Capital Projects	9,502,388	5.2%	0	0.0%	-100.0%
Debt Service	3,544,147	2.0%	3,151,432	2.1%	-11.1%
Operating Transfers Out	27,258,589	15.0%	16,685,969	11.0%	-38.8%
Total Expenditures	\$181,558,511	100.0%	\$151,832,096	100.0%	-16.4%

Legislative expenditures are decreasing to reflect the Board of Commissioner’s commitment to reduce cost during challenging budget times. Specifically, Board of Commissioners the travel budget was reduced at their request. Funding for Gypsy Moth spraying is not budgeted, but is available in designated fund balance should the need arise.

Judicial expenditures are decreasing 4.8 percent, this mainly due to grant reductions. The Safe Havens grant, discussed under intergovernmental revenue, is expected to be complete by this year end (\$369,000). In addition, only one of the Drug Court grants is budgeted in 2010 since the County has not been notified of any other grant award for 2010 (\$248,000). Additional staff previously charged to the Juvenile division have been moved to the Child Care fund (\$99,000). As discussed under charges for services revenue, indirect administrative cost for the District Court is decreasing by \$112,000 due to roll forward adjustments.

General Government expenditures are primarily accounted for in the General Fund, and are decreasing 10.5 percent. The largest area of decrease is in the Survey and Remonumentation program (\$819,000). Significant progress has been made on the project (which is nearing completion) during 2009, but State funding reductions have necessitated that the program be decelerated. Reductions to balance the budget have resulted in a \$100,000 reduction to the MSU Extension program. As discussed earlier, reductions made in Facilities and Maintenance is saving the County \$250,000 and results in expenditures that are \$227,000 lower than 2009. Expenditures in Fiscal Services are down \$116,000 for two main reasons. The 2010 budget reflects the elimination of one position and 2009 includes \$75,000 for the user fee study. Human Resources expenditures are down \$98,000 due to the department’s reorganization which

eliminated .5 full time equivalents. In addition, \$60,000 is currently budgeted for various management studies but has been eliminated. Funds are available in contingency if needed. In the Special Revenue funds, new Register of Deeds and property management software is being purchased in 2009, resulting in a \$561,000 decrease in expenditures for 2010.

Public Safety expenditures, representing 19.0 percent of total expenditures, are decreasing 2 percent in total. The Sheriff 9/30 Grant Fund is \$315,000 less due to one time federal stimulus dollars received in 2009 as well suspension of the Sheriff Curb Auto Theft (SCAT) program due to insufficient grant dollars (\$97,000). In the General Fund, one corrections officer and three unbenefitted positions have been eliminated from the budget (\$93,000). When 2009 budgets were prepared, gas prices were at all time highs, resulting in inflated estimates for 2009. The 2010 gasoline budget is \$173,000 lower. 2009 also included the purchase of 12 more replacement vehicles than 2010. The vehicle set-up charges (striping, light and radio installation, etc.) approximate \$8,000 each, resulting in 2009 costs related to vehicle set up being \$96,000 higher. The 2009 Marine Safety budget includes \$65,000 for a grant-funded boat.

Public Works expenditures are increasing by 22.7 percent which reflects the anticipated large drain project in Park Township which is estimated to cost a minimum of \$2.5 million. The County share for the project will be \$180,000. Heavy rains in 2008 and 2009 have also resulted in several smaller drain projects for 2010. The total 2010 budgeted amount for the County share of drain projects is \$347,000, compared to \$124,000 in 2009.

Health and Welfare expenditures, representing 41.7 percent of total expenditures is decreasing by 2.4 percent. Expenditures for the Health fund are \$928,000 lower in total. As discussed previously, \$269,000 is due to the move of the Jail health program to the General Fund half way through the Health fund's year. The 2010 budget for vaccines also reflects fewer clients coming in for vaccines (\$96,000). As discussed previously, the fund is also leaving several positions vacant and has eliminated other positions in connection with balancing the 2010 budget. Mental Health expenditures are increasing by \$1.2 million which represents a 3.7 percent increase. Most of this increase is for their developmentally disabled population.

Michigan Works!/Community Action Agency programs are decreasing by \$1.3 million for reasons discussed under intergovernmental revenue. The 2009 budget for the Child Care Fund includes \$500,000 for enhancements to the web-based case management system which are one time charges. The State of Michigan is paying for half of that cost. The juvenile division is placing fewer kids in residential placement as more treatment opportunities have been developed, allowing more juveniles to stay in a home setting. As a result, the 2010 budget for the fund is \$629,000 lower. The remainder of the Parenting Plus program has been eliminated from the Department of Human Services budget. Existing programs will accommodate these services (\$87,000).

Culture and Recreation expenditures are recorded in the Parks and Recreation Fund (2081) and will vary depending on the land acquisition and capital improvement endeavors. The 2009 capital outlay budget of \$7.7 million includes land purchases of \$4.6 million, much of it for the Olive Shores acquisition. The Olive Shores acquisition is estimated to cost \$3.6 million, with \$2 million of the price paid by a grant. In addition, the 2009 budget includes \$1.9 million for the construction of the Nature Center. In contrast, the 2010 capital outlay budget is \$3.4

million which includes \$1.6 million for land acquisition, \$872,000 for a non motorized pathway for the Upper Macatawa land and other smaller park improvement projects.

Community and Economic Development expenditures are decreasing by 21.1 percent due primarily to the elimination of one planning and research analyst and the completion of the urban smart growth project.

Capital Projects expenditures vary depending on the scope of projects undertaken. The 2009 expenditure budget reflects the completion of the Fillmore Administrative Expansion/Grand Haven Courthouse project. No additional projects are planned for 2010 out of the Capital Projects fund.

Debt Service expenditures are decreasing in 2010 because the last payment on the Ottawa County Central Dispatch Authority has been made in 2009 (\$399,000).

Operating Transfers Out are decreasing for the same reasons discussed under operating transfers in. The amount is slightly different because the General Fund includes a \$50,000 transfer from the Telecommunications, an Internal Service fund. The remaining difference is due to funds having different year ends.

CHANGES TO 2010 DEPARTMENTAL REQUESTS

Changes to the 2010 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 2009 General Fund budget as proposed by departments included revenues of \$70,267,579 with associated expenditures of \$75,816,231. The major adjustments to the 2010 Budget include:

Revenues:

2010 General Fund Budget Proposed by Departments	\$62,785,275
Analysis and fine tuning of tax projections	(368,000)
Diversion of rent revenue from the Public Improvement Fund	300,000
Diversion of jail phone commission revenue (current and prior year) from Telecommunications	200,000
Transfer in from Stabilization	1,000,000
Anticipated revenue resulting from the User Fee study	100,000
Decreases in rent revenue resulting from reduced costs	(147,000)
Other miscellaneous adjustments	(22,741)
Total General Fund Revenues Proposed by Finance and Administration Committee	<u>\$63,847,534</u>
Budgeted use of fund balance	<u>\$500,000</u>
Total Revenues and use of fund balance	<u><u>\$64,347,534</u></u>

Expenditures:

2010 General Fund Budget Proposed by Departments	\$68,081,094
Reduce MSU Extention programs	(100,000)
Reduced operating transfer to Friend of the Court based on revised revenue estimates	(114,000)
Reduce to reflect health insurance opt outs	(372,500)
Equipment requests not recommended/Revised by department	(331,000)
Reduce for anticipated vacancies	(104,000)
Reduce to reflect revised Facilities and Maintenance department	(250,000)
Revised County share of drain assessments	120,000
Reductions to various employee benefits	(223,000)
Reductions to Public Health programs	(556,000)
Reduce Parks Operating Transfer	(298,000)
Added to contingency in anticipation of wage study implementation	154,000
Positions eliminated/temporarily suspended (not reflected in program reductions)	(510,000)
Reduce Community Corrections operating transfer	(141,000)
Elimination of the Parenting Plus program/other changes to DHS budget	(102,000)
Reduction to Sheriff and Jail operational supplies based historical needs	(262,000)
Additional reductions to Sheriff and Jail temporary services and overtime	(125,000)
Other miscellaneous adjustments (less than 1% of the department head submission)	(519,060)
Total General Fund Expenditures Proposed by Finance and Administration Committee	<u><u>\$64,347,534</u></u>

SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECTS AND PERMANENT FUNDS

In the Parks and Recreation Fund (Special Revenue Fund 2081), the operating transfer from the General fund was eliminated (\$298,000) as part of the budget balancing. During the budget process, additional information was received regarding grant applications made by Parks and Recreation, and intergovernmental revenue and capital outlay were reduced accordingly. Expenditures in the Public Health Fund (Special Revenue Fund 2210) were decreased due to the reduction in the operating transfer as part of the budget reduction plan. Also during the budget process, Community Mental Health implemented more components of their reorganization and both revenue and expenditures were increased by \$515,000.

As discussed in the budget balancing for the General Fund, \$300,000 of rent revenue will be diverted from the Public Improvement Fund, so the fund's revenue is lower than originally budgeted. Likewise, the Stabilization Fund now reflects the \$1 million transfer to the General Fund.

Certain Workforce Investment Act Funds were increased from the original departmental request upon notification of grant approvals. The operating transfer to the Community Corrections Fund (Special Revenue Fund 2850) was reduced as part of the budget balancing. Revenue was reduced by \$152,000 and expenditures were reduced by \$101,000 in the Department of Human Services fund to reflect the elimination of the Parenting Plus program. The remaining funds had no significant changes made to their 2010 budget requests.

CONCLUSION

Ottawa County's vision is *to be the location of choice for living, working, and recreation*. The mission states that *the County is committed to excellence and the delivery of cost-effective public services*. To accomplish the vision and mission of the County, long term strategies and financial planning have been implemented for several years.

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 provide public service and quality of life for our citizens.

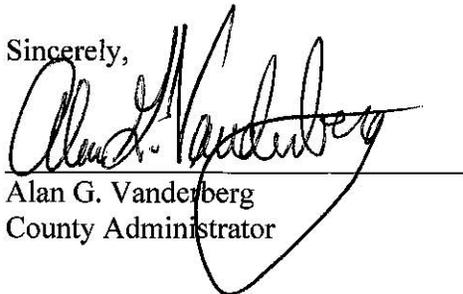
With financial forecasting and the creation of long-term financing tools, the County has positively impacted future financial decisions and the County's financial stability. These tools permit the County to reduce taxes to County residents, maintain the County's bond rating, and control costs to departments. Finances continue to be carefully balanced in order to maintain or improve the outstanding bond ratings that save significant taxpayer dollars when the County issues debt or when townships use the County bond ratings for water and sewer system bonds.

The County is projecting operational deficits over the next five years as a result of the declining tax revenue, the possible reduction in State Revenue Sharing, and the increasing cost for employee benefits. Ottawa County also remains one of the fastest growing counties in Michigan which increases the need for services to the public. The downturn in the economy has also had an impact on the need for services by citizens. With the increase in service requirements and the need to control expenditures, it is essential that the County keep pace with technology in order to improve efficiency and to deliver quality services to the public in a cost effective manner.

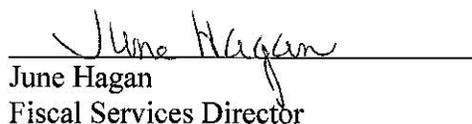
The 2009 budget continued addressing the projected operational deficits with a balanced approach of increasing revenues, reducing expenditures, and using one time monies. This philosophy has continued with the 2010 budget. The budget reflects the implementation of the County's strategic plan, long-range strategies, and an array of tools in balancing the budget. The budget continues to emphasize responsibility, restraint, and reinforcement of the County vision and mission.

The County has continued to control expenditures through long range planning to ensure the fiscal stability of the County. With Ottawa County's fiscal restraint and long-term planning, the County will continue to maintain its financial strength and tradition of providing exemplary services to the public.

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, 2009. This was the fourteenth 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**

Special Performance Measures Recognition

For the Fiscal Year Beginning

January 1, 2009

President

Executive Director

2010 ORGANIZATIONAL CHART

