

**County of Ottawa
Grand Haven, Michigan**

2011 Budget



2011 BUDGET
for
OTTAWA COUNTY
GRAND HAVEN, MICHIGAN
www.miottawa.org

2010 BOARD OF COMMISSIONERS

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October 26, 2010

Board of County Commissioners and Citizens of Ottawa County:

Transmitted herein are the 2011 Operating Budgets for County operations. The combined budget, including component units, totals \$227,817,698 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 2011 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 2011 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.

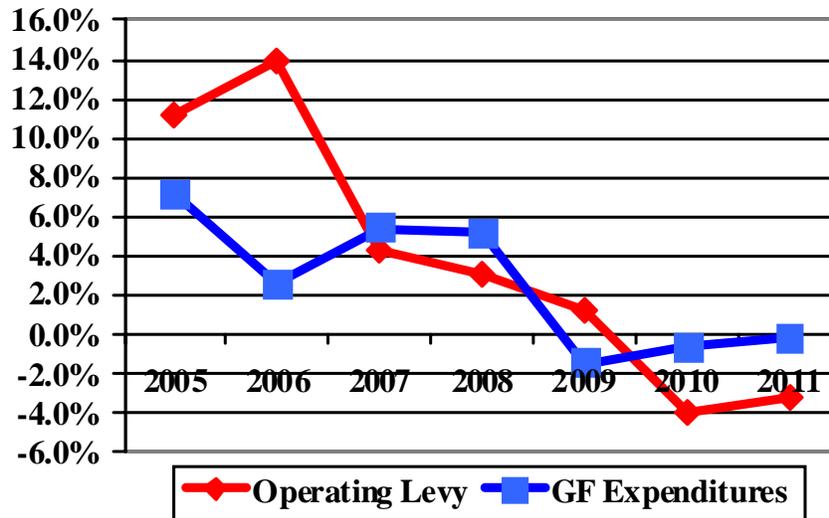
FINANCIAL ISSUES

The 2011 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 – 2011:

Trends in General Fund Tax Levy and Expenditures

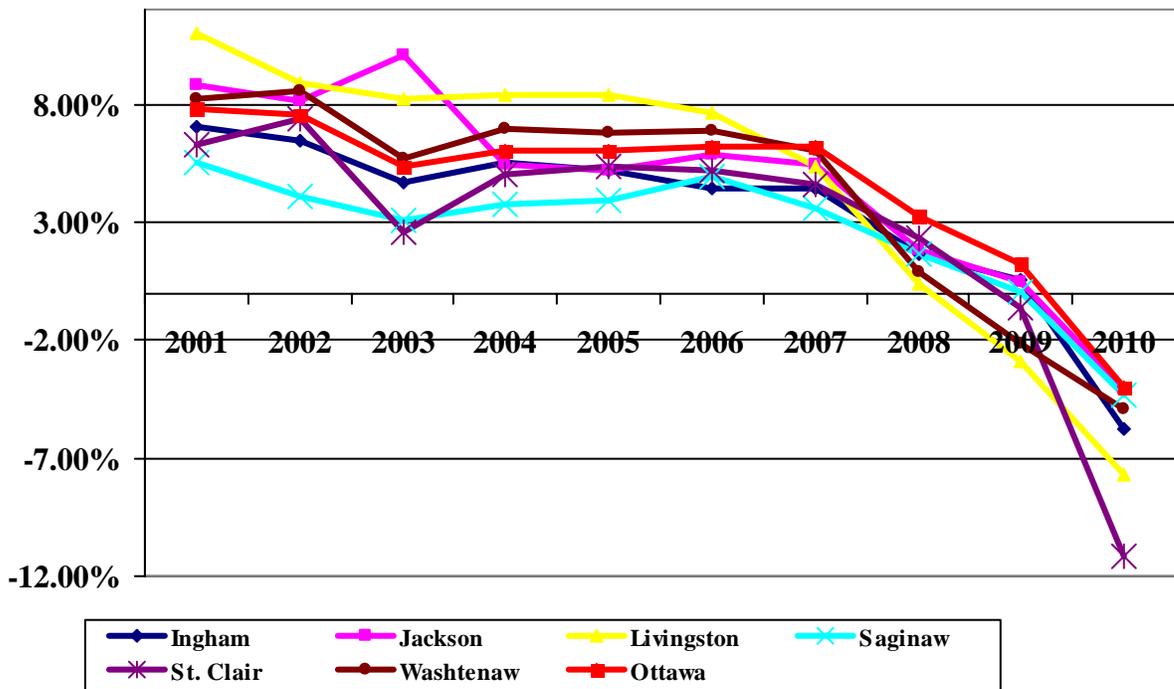


* General Fund expenditures do not include operating transfers associated with the building projects or financing tools.

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 remains wide with the 2011 budget, though somewhat improved from 2010. This taxable value trend has significant repercussions for tax revenue. The tax revenue anticipated for 2011 approximates 2006 revenue. In contrast, expenditures have risen 8.7 percent since 2006.

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, Ottawa County has had a slower rate of decline. Prior to 2008, the County experienced 6 percent growth in taxable value for the four preceding years. In 2010, the County experienced its first decline in taxable value of 4.05%. The prediction for 2011 is a 3.5 percent *decrease* in taxable value. Nevertheless, the tax base in Ottawa County is stronger than that of comparable Michigan counties. The graph that follows shows the change in taxable value for Ottawa County (in red) and its comparable counties:

Changes in Taxable Value – Ottawa and Comparable Counties

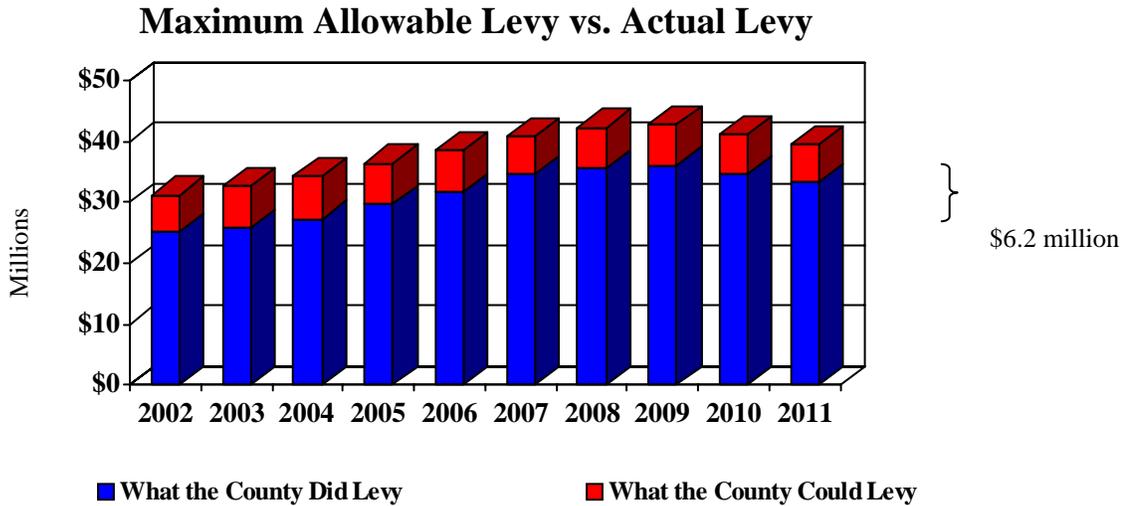


Property Tax Revenue and the Citizen Tax Burden: There are several ways to address this trend of decreasing revenues including increasing the operating tax levy. However, the County remains sensitive to taxpayer contributions. Ottawa County has a maximum tax limit of approximately 4.2650 mills for 2011 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.

During 2010, the County completed a \$20,000 citizen survey to better understand community priorities and assist in decision making. The last citizen survey was completed in 2008. Listed below is the question asked regarding taxes and services and the responses from both years:

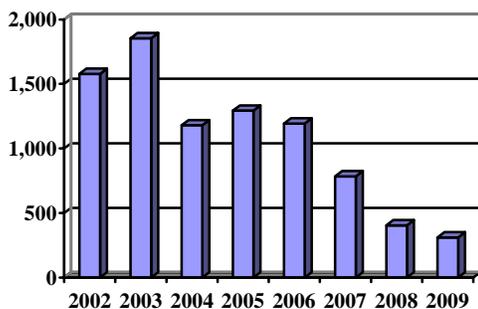
2010 Response	2008 Response	Question
38%	37%	In light of the current budget situation in Ottawa County, it is important to maintain existing county services and programs, even if it means having to pay higher taxes.
58%	53%	In light of the current budget situation in Ottawa County, it is important to keep taxes and fees as low as possible, even if it means reducing county services and programs.
4%	10%	Undecided/Don't know/Refused

The citizens have spoken. As a result, the Board of Commissioners has chosen to continue to levy the lower 2006 amount - 3.6 mills - for 2011 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 2002 - 2011:

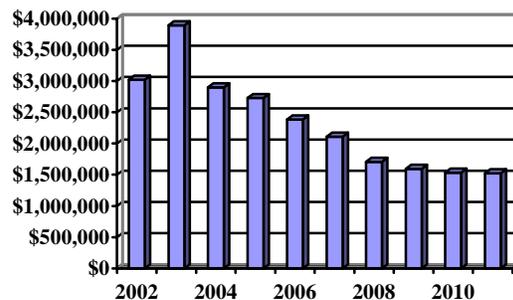


Housing Decline: News reports continue to highlight the decline in the housing market. In addition to the effect on property taxes discussed previously, this also impacts Register of Deeds revenue. A significant portion of County revenue comes from the Register of Deeds office for fees associated with the recordation of deeds, both for mortgage refinancing and new construction. Specifically, the 2011 budget is nearly \$2.4 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, and these challenges have been ongoing for the last several years. The following information taken from the State of Michigan's 2009 Comprehensive Annual Financial Report shows the State's deteriorating position:

State of Michigan Financial Results - 2009 (in thousands)	
	2009 Actual
Total Fund Balance 9/30/09	\$3,687,378
2009 Expenditures	\$45,070,580
2009 Fund Balance as a % of Expenditures	8.2%
Cash Balance 9/30/09	\$985,531
2009 Expenditures	\$45,070,580
2009 Cash Balance as a % of Expenditures	2.19%

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's governmental funds have enough cash to cover approximately 45.5 hours of operation. The School Aid fund has no cash.

The State is currently anticipating a \$300 million shortfall for the year ending 9/30/10, even with the infusion of federal stimulus dollars. Although a tentative agreement has been reached for the 2011 budget, the budget will likely require additional reductions during the year. The tentative agreement includes one-time gains from

federal stimulus money, shortening the time frame for the State to take ownership of unclaimed property, a proposed tax amnesty program and debt restructuring.

The State's 2011 budget is especially important for Ottawa County as the County is scheduled to have its State Revenue Sharing payments reinstated. The County is budgeting a 6.5 percent decrease from the projected appropriation amounts from the Governor's 2011 budget recommendation for revenue sharing payments, making the County's budget for revenue sharing just under \$4 million.

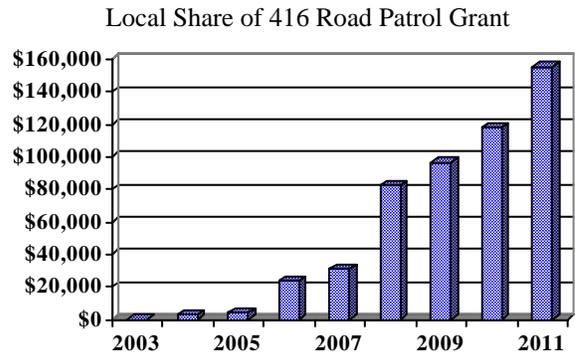
The County receives State funding for a variety of other programs; Community Mental Health (CMH) is one of the larger recipients. The tentative 2011 State budget agreement includes a 3 percent reduction from 2010 for all departments, and an additional \$50 million reduction for the Departments of Community Health, Human Services and Corrections. To be conservative, the County's Community Mental Health agency (CMH) is reflecting a 10 percent decrease in State General Fund dollars. If additional cuts are necessary beyond that, the approach will be to further eliminate or decrease outpatient/respite services to non Medicaid consumers. In the case of a reduction, CMH will follow their wait list policy for non Medicaid consumers. If additional reductions are realized in Medicaid funding, CMH will evaluate directly run CMH services and maintain services to the most severely impaired consumers and look to contract agencies for providing services to those with less severe impairments.

For Public Health programs, the reductions have resulted in three proposals at the State level:

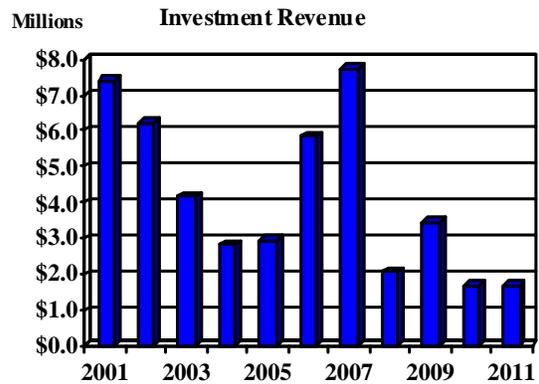
1. The Governor's proposed \$2 million cut in Local Public Health Operations (cost sharing)
2. House and Senate's proposal to hold Public Health harmless, or
3. House and Senate's alternate proposal of a \$1 million cut in the Local Public Health Operations (cost sharing)

Current analysis shows the three reductions would mean a funding reduction of \$0 - \$75,000 in 2011. There is also the potential of cuts to the Medicaid fee screens due to increasing case loads and decreasing State General funds to match the Federal Medicaid Portion.

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 2011 budget, the County is now funding \$155,000 of the program.

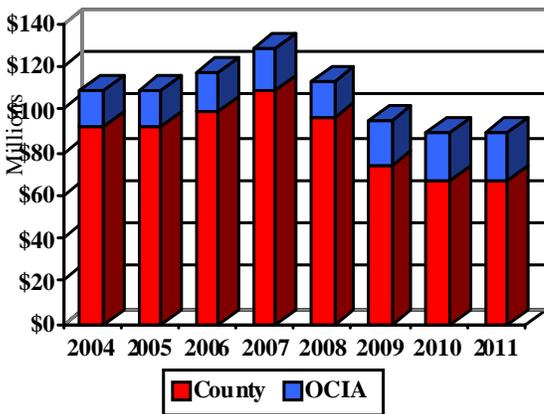


Investment Revenue: Interest revenue includes realized and unrealized capital gains and losses reported through a change in fair value as well as actual interest received. The County's investment portfolio is laddered over a 5 to 7 year period with an average maturity just under 2 years. By laddering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

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, and the fund will be depleted during 2011. The portfolio reached a high of \$109 million in 2007, but is expected to end fiscal year 2011 at just over \$66 million.

Charges for Services: The County Board's Revenue and Expenditure policy promotes a review of County fees every three years to determine the appropriateness of fees and to keep them relevant to the cost associated with the service. A fee study was completed in early 2010, and the results were reviewed and discussed by department heads, elected officials and the Board. The study recommended fee increases that were projected to bring in \$559,000 in additional fees, not

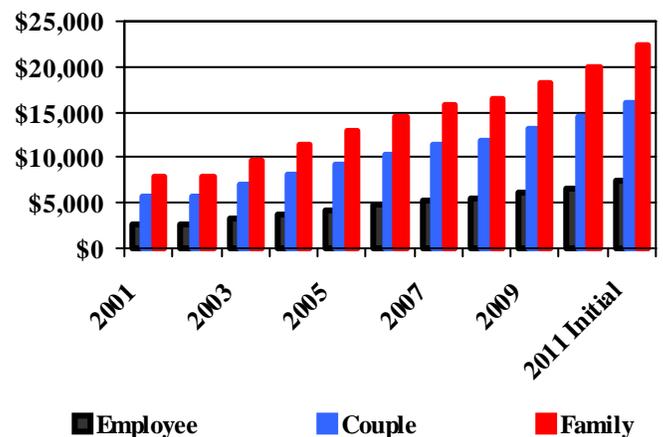
including the Courts. However, not all of the fee recommendations were implemented. The total changes implemented are expected to bring in \$366,000 in additional revenue annually. The District Court reviewed their fee structure internally. The changes they have implemented are expected to increase revenues by \$912,000 over a period of a few years.

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.

Wages: Due to the decline of taxable value, County Administration knew that budgets would be very tight over the next few years. Other Michigan municipalities have frozen wages or even decreased them. One of the budget options presented to the Board in the options survey taken earlier this year asked if they would support a 0% wage increase, and 100% of Board member agreed with this. Consequently, wages are budgeted with a zero percent increase for bargaining units that do not have a set increase in their contract for 2011.

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 2011, the initial increase for health and prescription coverage charged back to departments was estimated to increase by 17.5 percent by the actuary. Changes were made to health insurance benefits for non-represented employees in 2010, and these changes are anticipated to be included in new contracts for all employees going forward. The specific changes follow:

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



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

Despite these changes, it was clear more needed to be done to reduce health care costs. In fact, in a survey of the Board of Commissioners completed earlier in 2010, 80 percent cited additional changes to the health plan as an option they wanted to explore to balance the budget.

In the summer of 2010, the County engaged a consultant to complete a review of the County's healthcare and related benefits and our self-insured status. In reviewing the options provided in the consultant report, changing from a self-insured program to a fully funded program with Priority Health would result in significant savings. Priority Health is able to offer larger discounts under their plan not offered by our current plan and would also partner with the County in wellness initiatives. The 2011 budget reflects cost savings of \$4.3 million over all funds and departments in anticipation of the new insurance program.

Retirement cost is also expected to increase in excess of CPI in 2011. The County anticipates a 15.2% increase in retirement costs in 2010 and is projecting a 5.2% increase for 2011. These increases are the result of refinements to the actuarial assumptions by the Municipal Employee Retirement System (MERS). Retirement cost and insurance benefits will be discussed in greater detail in the Future Planning Concerns 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 2011, the County's annual required contribution (for all funds) of \$866,087 is included in the budget.

Landfill Clean-up Costs: In 1990, the County was established the Solid Waste Clean-up fund with money received by Ottawa County from the settlement of litigation over the Southwest Ottawa Landfill. The fund's goal is to use the interest generated from the principal to cover ongoing annual costs of the landfill clean-up. Significant capital improvements have been made to expedite the clean-up of the site. However, this has also resulted in higher annual clean-up costs. This, combined with extraordinarily low interest rates, is causing concern over the fund's ability to cover the clean-up costs. Current projections indicate the fund may be depleted by 2022. Consequently, the County may need to provide additional funding if necessary.

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. During 2009, work was completed on mandated functions. In January of 2010, the Board of Commissioners completed the first ranking of all County services (mandated and discretionary). The rankings provided an additional tool to identify reductions in the 2011 budget.

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 that follows shows the projected changes in the County's equity:

Fund Type	Total Equity 2007	Total Equity 2008	Total Equity 2009	Total Projected Equity 2010	Total Projected Equity 2011
General Fund	\$ 22,146,478	\$ 22,084,426	\$ 16,712,957	\$ 15,951,773	\$ 15,007,179
Special Revenue Funds	58,686,988	48,494,841	36,457,126	30,209,127	29,785,045
Delinquent Tax					
Revolving Fund	24,406,620	24,562,182	24,727,300	24,499,371	24,455,314
Internal Service Funds	33,348,990	28,328,085	28,842,629	29,923,482	31,152,062
Total Equity	\$ 138,589,076	\$ 123,469,534	\$ 106,740,012	\$ 100,583,753	\$ 100,399,600

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 2010 decrease in the Special Revenue Funds. In any case, beginning with 2011, we can see that equity is stabilizing. Despite the decreases, the County still has considerable equity in relation to expenditures. The table that follows illustrates this point:

	2011 Budgeted Expenditures	Estimated Equity	Equity as a % of Expenditures
General Fund	\$ 63,562,179	\$ 15,007,179	23.6%
Special Revenue Funds	80,373,379	29,785,045	37.1%
Delinquent Tax			
Revolving Fund *	2,761,967	24,455,314	885.4%
Internal Services Funds	21,356,890	31,152,062	145.9%
	\$ 168,054,415	\$ 100,399,600	59.7%

** It is important to note that the fund equity in the Delinquent Tax Revolving fund is significantly more than the cash balance since the fund has a large receivable.*

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.

BALANCING THE 2011 BUDGET

The upward pressure on expenditures combined with flat or decreasing revenue results in a deficit for the 2011 General Fund budget as submitted by departments. Specifically, expenditure requests exceeded projected revenues by nearly \$4.4 million, not including personnel requests. The 2010 budget submitted by departments came in with expenditures exceeding revenues by nearly \$5.3 million. The gap is decreasing because departments were asked to budget based on tax projections. To close the remaining gap, the County is using a combination of cost reductions, cost refinements, and revenue adjustments to balance the budget.

Cost Reductions:

As discussed earlier, the preliminary report from the health insurance consultant indicates significant savings with changes to the health insurance plan. Specifically, information gathered by the consultant suggests that the County would save significant money by discontinuing their self-insured plan and purchasing commercial insurance. No significant changes in benefits would be required to achieve these savings. The effect on the General Fund for the \$4.3 million in claims costs the County projects to save is approximately \$2.4 million (including the effect on operating transfers to other funds).

In addition, with the 2010 budget process and during the 2010 fiscal year, a number of elected officials/departments agreed to temporarily leave an approved position vacant. All of the following General Fund positions will continue to be held vacant with the 2011 budget:

Elected Official/Department	Position	Full Time Equivalent	Cost (2010)	Comments
Prosecutor	Assistant Prosecuting Attorney I	1.00	\$88,700	Vacancy began in 2009
Fiscal Services/ Administrator	Financial Analyst	1.00	\$81,960	Vacancy began in 2010
Fiscal Services	Accountant I	.50	\$37,368	Vacancy began in 2010
Treasurer	Clerical	1.00	\$57,840	Vacancy began in 2010
Sheriff – Jail	Corrections Officer	1.00	\$64,664	Vacancy began in 2009
Sheriff – Auto Theft Grant	Road Patrol Deputy	1.00	\$87,559	Vacancy began in 2009
Sheriff - Road Patrol	Cadet (Part-time, unbenefitted)	N/A	\$8,872	Vacancy began in 2009
Sheriff – Administration	2 Clerical (Part-time, Unbenefitted)	N/A	\$19,233	Vacancy began in 2009
Geographic Information Systems	Intern (Part-time, Unbenefitted)	N/A	\$1,850	Vacancy began in 2009

The Board of Commissioners also decided to continue the suspension of the tuition reimbursement program which began in 2010, resulting in \$65,000 in savings for the General Fund.

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 and 2009, the vacancies dropped to less than six 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 2011 budget by \$122,000 to reflect vacancies – approximately 1.8 full time equivalents.

Departmental charges for health insurance are significantly reduced when employees opt out of coverage. Employees that opt out of health insurance coverage currently receive \$500 annually which is significantly less than the amount to insure them. In the General Fund, just over 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 \$302,000 in the General Fund, and the Operating Transfer from the General Fund to the Health Fund was reduced by \$138,000 to reflect anticipated opt out savings. The savings for employees opting out of insurance may be greater under the new health plan. The plan calls for a higher opt out payment (\$2,400), so the number of employees opting out of insurance may increase.

Refinements were also made to the operating transfers to other funds. The operating transfer to the Friend of the Court was reduced by \$217,000. Revised revenue estimates allowed for the reduction in the operating transfer. In addition, adjustments made to reflect lower anticipated health insurance costs also reduced the Friend of the Court operating transfer as well as operating transfers to other funds.

Operational supplies in the Sheriff and Jail have been reduced by \$396,000 based on current and historical spending patterns, lower populations at the jail and voluntary reductions from the department. Certain equipment requests were withdrawn when grant funding became available. When budget materials were first distributed to departments, the actuary report (which provides rates for the succeeding fiscal year) for the County's retirement system, Municipal Employees Retirement System (MERS), was not available. A few months later, the report was received, and the rates came in slightly lower than originally budgeted. As a result, the General Fund budget was reduced by \$110,000.

Revenue Adjustments:

One option to balance the budget was to increase the millage. However, 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 2011, but also for several years forward. Administration wants to preserve flexibility to deal with potential future problems. Moreover, in the 2010 citizen survey, the respondents were opposed to the County raising the tax rate. Consequently, the operating levy remains at 3.6 mills.

Because there has been significant volatility in the housing market, the County reviews property sales figures monthly during the budget process. Originally, taxable value was estimated to decrease by 4%. Sales in the early summer were more favorable. As a result, the estimated change in taxable value for 2011 was reduced to a 3.5% decrease. This change and other various adjustments are increasing the 2011 tax revenue budget by \$294,000 from the initial projection.

Due to the State’s fiscal problems, the inmate housing program was suspended during 2010. The program pays counties to house inmates that would otherwise be in State prisons. However, the program has been reinstated (with various revisions) for the State’s 2011 year (which begins in October). Accordingly, revenue has been increased by \$125,000. In addition, during 2010, the County agreed to house Muskegon parolees for the State at \$35 per day. Based on current utilization, the County anticipates \$151,000 in additional revenue in 2011.

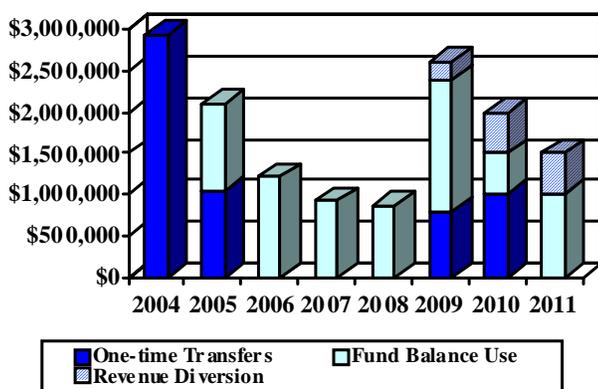
As part of the County’s long range plan to limit program reductions, certain revenues will be redistributed over the next few years until the economy recovers. Currently, the Public Improvement fund (2450) receives rent from various County departments to reflect the costs the Public Improvement fund 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 \$3.2 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 (prior to 2010) will continue to be credited to the General Fund in 2011. This is the second year of the revenue diversion, and 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. Prior to 2010, 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. As a result, the estimated \$140,000 of inmate phone commission revenues will continue to go to the General Fund. This is the second year of the diversion, and 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 programs based on projections, the County is continuing to fund some of them with the use of one-time dollars.

General Fund Budget Balancing Strategies



The 2011 budget includes the use of \$1 million of undesignated General Fund fund balance. 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 \$1 million, it would still be within the parameters of the financial policy. It should also be noted that the one time dollars of \$1 million represent less than 1.6% of the County's total governmental funds budget. While not a long-term solution, fund balance use does allow for the continuation of programs until our long-term financial picture becomes clearer.

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. With the 2011 Budget, the non-recurring funding sources, the one-time transfers and the fund balance use total \$1.5 million.

Financing Tools that Help Address Concerns

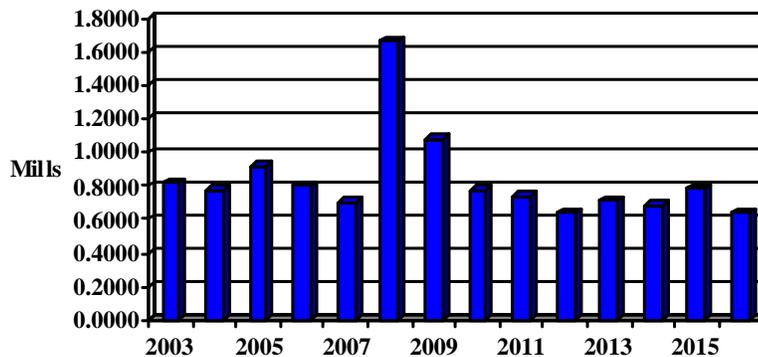
As budgeting becomes increasingly difficult, it is important to have alternate funding sources available. Long-term financial planning is addressed extensively in the County's Strategic Plan. The County Board adopted fiscal policies and procedures which specifically address the County's long-term financial needs through various Financing Tools which partially provide alternative funding sources. Funding provided by the Financing Tools for the 2011 Budget is as follows:

- Solid Waste Clean-up Fund (2271) is continuing to pay the clean-up cost on the Southwest Ottawa Landfill (\$292,000).
- 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.
- Public Improvement Fund (2450) includes a portion (approximately \$188,000) of the 2011 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 2011 budget also includes this revenue diversion. 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 approximately \$113,000 in interest earnings. In addition, the fund provides additional flexibility to deal with unexpected occurrences that have the potential to negatively impact finances.
- Delinquent Tax Revolving Fund (5160) is funding bond payments of \$2.5 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 2011 is just over \$2.2 million. 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 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 2011 budget for these commissions is \$140,000.

The Financing Tools play a major role in reducing our tax levy. The amount for 2011 equates to 0.7358 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.

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, and one method used to identify threats is to project General Fund activity out five years.

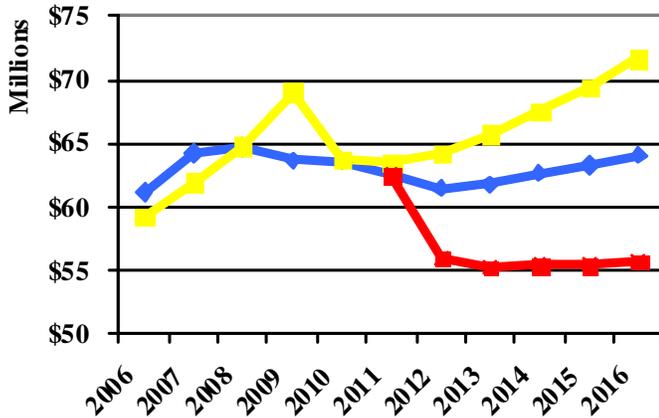
The economic situation for the County government as well as the Country as a whole has been quite volatile in the last year. The most significant impact of the economic downturn has been on the tax base, and tax legislation passed several years ago in the State of Michigan will make recovery in all Michigan municipalities slower than other sectors of the economy. The other significant factor to consider is the reinstatement of revenue sharing payments to the County. Given the State’s financial condition, the certainty of these payments long term is in question. 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. For more detailed information on the County’s five year projections, please see the last section in the User’s Reference Guide.

Ottawa County General Fund Five Year Projections

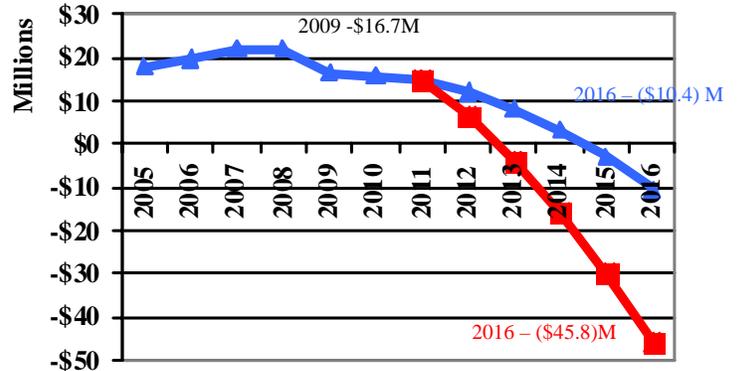
■ - Best Case Revenue Scenario
■ - Worst Case Revenue Scenario

■ - Expenditures

General Fund Revenues and Expenditures



Fund Balance - General Fund



The previous graphs show the sharply increasing gap between revenues and expenditures. These graphs assume changes in taxable value ranging from 2 percent to (5) percent over the next five years. By 2016, expenditures are projected to outpace revenues by \$7.7 million in the best case scenario and by just under \$16 million in the worst case scenario.

These financial projections are important because they drive financial and programmatic decisions in the near term. Specifically:

- Positions currently being held vacant would not be filled in the 2011 budget
- The Board supported a zero percent cost of living increase for most County employees
- Prompted an updated study of the County's user fees, resulting in improved revenues in 2011 and in future years.
- Support the diversion of revenues from certain financial tools, the Public Improvement fund and the Telecommunications fund, to operations.
- Emphasize the need to identify funding for the change in retirement benefits for new employees from defined benefit to defined contribution
- Identified the need to make major changes to the health insurance program
- Continued suspension of the tuition reimbursement program

LEGISLATIVE ISSUES

Child Care Fund: There are two areas of legislation that may impact the Child Care fund. The enforcement of a 1985 Supreme Court Administrative Order would require counties to maintain a ratio of one probation officer to every 6,000 children under the age of 19 within the County. The enforcement would cost the County an estimated \$1 million because the employees meeting the education requirements for probation officers (per the SCAO order), detention workers and caseworkers who are currently charged to the Child Care Fund, would be ineligible for State funding.

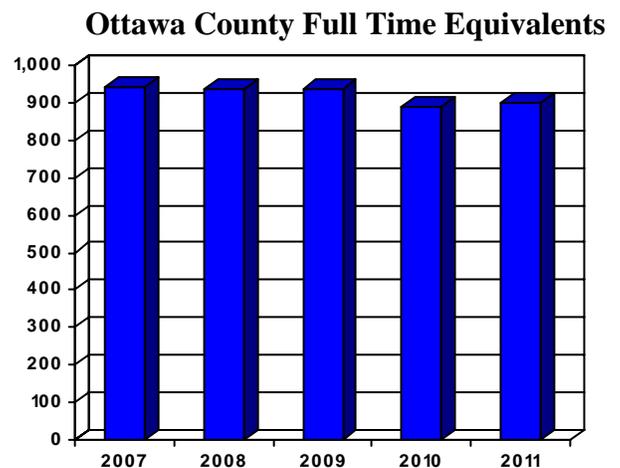
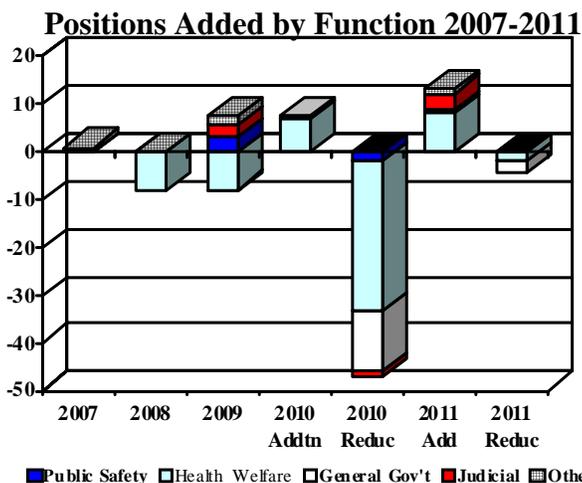
In addition, the State of Michigan and Children’s Rights, Inc. Settlement would require all foster home placements to be in licensed homes. In general, in Ottawa County, youth placed with family are typically in unlicensed homes and youth in non-family placements are in licensed homes. Early estimates place the cost to the County at \$500,000 annually. Both of these issues are currently on the back burner, but the State’s fiscal problems could rekindle efforts to enforce them.

Record Retention Legislation: The County has implemented a Justice Imaging System which automates the processing and transfer of court and legal documents. However, several changes are needed to update departmental rules and state legislation to recognize and approve technological advances in order for counties to utilize technology to its fullest extent. Legislation could permit the use of electronic signatures on court documents, electronic seals on documents, and electronic filing of court documents which will result in significant cost savings.

Binding Arbitration for County Corrections Officers (Act 312) - If binding arbitration legislation for corrections officers is approved, it will place a severe financial burden on the County unless the following points are incorporated to ensure a fair bargaining process: a) develop a selection process that requires arbitrator neutrality; b) internal comparisons are considered as a part of the pay formula; and c) the local unit of government’s ability to pay is considered in any decisions.

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 22,000 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. Full time equivalents decreased in 2010 mostly due to the reorganization of Community Mental Health that was in process at the time of adoption. New personnel approved with the 2011 budget include primarily grant funded positions. The graphs that follow show the increase in total full time equivalents in the County for 2007 - 2011 added/subtracted through the budget process and the total number of full time equivalents for 2007 – 2011:



The 2011 budget process has resulted in an increase of 9.164 full time equivalents over all, net of increases of 13.03 full time equivalents. Full time equivalents in the Mental Health department show the largest increase – 5.9 full time equivalents. Mental Health is in an ongoing reorganization process and is adjusting staff as appropriate when funds are available. Michigan Works! is including 2.13 new full time equivalents in their 2011 budget, and may add additional positions (which have been approved by the Board) based on funding projections and caseload. Full time equivalents in the Drug Courts show an increase of 3.5. Positions *funded* by the General Fund are budgeted with a net reduction of 3.34 full time equivalents in 2011.

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 2010, the County expanded online public services, made enterprise content management workflow improvements, and installed a new Delinquent Tax system. Ongoing process reviews within the justice area which includes all courts, prosecuting attorney and Sheriff's department were conducted as part of a long term effort to replace the existing County justice system. These reviews have resulted in development of design documents, process changes and applications to streamline County operations. The Information Technology Department is working with a consultant to perform the requirements gathering and process design. Internal staff and contracted programmers are developing software.

The County's technology infrastructure continues to be adjusted to ensure continuity of operations by keeping equipment current through a consistent hardware replacement cycle. In addition, one major step to ensure continuity of operations in the event of a disaster completed in 2010 is the offsite replication of critical applications occurring between physically displaced locations as well as offline and offsite backup to secondary media. Consolidation of server and storage through server virtualization and storage area networks (SANs) has provided a more flexible and robust operating environment. The benefits include cost savings as a result of reduced power consumption, cooling requirements and hardware costs. These technologies enhance reliability by allowing server functions to be transferred to other physical servers during maintenance, replacement of failed hard drives without shutting down, and on-the-fly server and storage reconfiguration.

Public Health and Mental Health continue to improve their systems and work toward the goal of Electronic Medical Records (EMR). The AVATAR system used by Mental Health requires upgrades to provide capabilities related to scanning and storing medical records. This upgrade has been on hold pending vendor availability to complete a recommended system reconfiguration.

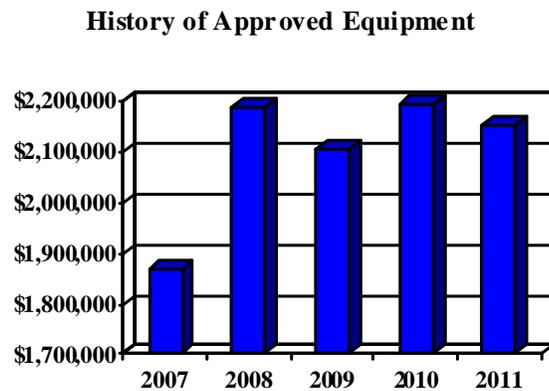
The contract with WebTecs, Inc. has been extended through December 2010. In addition to maintaining existing services, WebTecs, Inc. has added functions in several areas which will be discussed in the next section ("Service Provision"). In addition, during the remainder of 2010, the County plans to expand its online applicant capability by developing an internal electronic hiring slip component to streamline internal post-hiring procedures. Total revenue received through the County web site has increased by 95% from the same period in 2009 with convenience/technology fees up by 41% over 2009.

The Geographic Information Systems (GIS) site developed an application to support Holland Township by associating scanned design documents (As Builds) with parcels. In addition to speeding up the search and retrieval of documents, township first responders are able to use the additional data associated with multiunit facilities to identify exact locations during emergencies. Holland Board of Public Works has been added as a partner, increasing the total partnerships to 21.

In June, Park Township became the first partner to take advantage of the County's ability to host electronic documents. During 2010, the County also signed contracts with Spring Lake Township and Muskegon County to provide certain hosting functions. The hosting and partnerships developed with the County Web Site, GIS and ECM solutions have provided a means to improve services while sharing costs.

The Information Technology department completed a study of the County phone system and has selected a vendor to complete an upgrade. This upgrade will begin in the last quarter of 2010. The board has approved \$580,000 from the Telecommunications fund for this project. 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, and reduce annual maintenance costs.

In addition to the initiatives above, the 2011 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 2007 to 2011 during the budget process:



Service Provision: The 2010 budget did require certain program reductions. The 2011 budget, in contrast, did not involve significant program reductions. In fact, the citizen survey conducted in 2010 resulted in the expansion of economic initiatives based on the following response:

2010 Response	2008 Response	Question
45%	37%	Providing economic development and jobs
6%	14%	Protecting the public from crime and drugs
5%	5%	Controlling unplanned development and sprawl
12%	9%	Keeping local taxes and fees low
8%	7%	Maintaining and improving area roads
13%	6%	Improving the quality of area schools
3%	4%	Preserving prime farmland and open space
3%	3%	Providing quality basic city, township or county services
3%	6%	Protecting the environment in the area
1%	3%	Controlling traffic congestion
1%	3%	Undecided/Don't know/Refused

In May, 2010, the Board voted to fund an economic development coordinator in the Planning and Performance Improvement department (General Fund, 1010-7211) for the County to provide the oversight for all economic development initiatives undertaken by the County. The top priorities for this position are to administer the County's Brownfield Redevelopment Authority, implement a business incubator, and develop a coordinated economic development plan for Ottawa County.

The County's contract with Webtecs, Inc. has resulted in better access to services for County residents. Since January, 2010 the following online applications have been added to the County web site:

School Reporting
MI Works! Event Registration
District Court LT Case Extract Application
Court House Self-Help Center
Committee/Board/Intern Service Application
Marriage License Application
Delinquent Tax Conversion to .Net (BS&A)
Election Results Publishing
Learning Management System - Sheriff
Community Alert - Sheriff's Office
Low Rez Dog License Lookup for Patrol Cars

BUDGET SUMMARY

The 2011 budget reflects the on-going implementation and refinement of the action plans addressed in the Ottawa County Strategic Plan. The fluctuations between the 2010 estimate and 2011 budgets are the result of the previous discussion. A comparison of the 2010 estimate and 2011 budgets follows.

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

Source	2010 Amended Budget	2010 Percent of Total	2011 Proposed Budget	2011 Percent of Total	Percent Increase (Decrease)
Taxes	\$ 42,479,050	26.1%	\$ 40,905,688	27.8%	-3.7%
Intergovernmental Revenue	71,444,210	43.7%	69,876,800	47.7%	-2.2%
Charges for Services	11,806,249	7.3%	12,976,613	8.8%	9.9%
Fines and Forfeits	991,230	0.6%	1,062,000	0.7%	7.1%
Interest on Investments	771,700	0.5%	588,557	0.4%	-23.7%
Rental Income	6,145,254	3.8%	5,998,254	4.1%	-2.4%
Licenses and Permits	667,867	0.4%	937,141	0.6%	40.3%
Other Revenue	2,363,508	1.5%	1,620,211	1.1%	-31.4%
Operating Transfers In	17,711,403	10.9%	11,685,090	7.9%	-34.0%
Fund Balance Use/(Contribution)	8,417,416	5.2%	1,369,274	0.9%	-83.7%
Total Revenues	\$ 162,797,887	100.0%	\$ 147,019,628	100.0%	-9.7%

Taxes serve as the primary revenue source for the General Fund, E-911, and Parks and Recreation Fund. The 2011 tax revenue budget includes levies for the following purposes:

	<u>Millage for 2011 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. The County is estimating a decline in taxable value of 3.5 percent in 2011. However, the E-911 and Parks tax revenue are based on the 2010 taxable value which decreased by 4.05%. Consequently, the decline in tax revenue for 2011 is slightly higher than the estimated 3.5% decline in the 2011 taxable value.

Intergovernmental Revenue represents 47.7 percent of the Governmental funds revenue budget and is decreasing. Major fluctuations by fund/area follow.

General Fund	\$3,737,000
Public Health	(\$972,000)
Mental Health	1,251,430
Grant Programs - Pass Thru	(1,485,000)
Workforce Investment Act (WIA) Funds/ Community Action Agency/Weatherization	<u>(4,058,000)</u>
	<u>(1,526,570)</u>

Intergovernmental Revenue in the General Fund is increasing due to the anticipated reinstatement of State Revenue Sharing dollars (\$3.9 million). Other various state revenues in the General Fund are projected to decline. Intergovernmental revenue in the Health fund is decreasing primarily due to the expiration of the Pandemic Flu (H1N1) funding. Nearly \$790,000 is included in the 2010 budget, and the status of additional/carry over dollars was not known before budgets were finalized. In addition, the Health department projects that a lower number of vaccines (\$100,000) will be distributed to Ottawa County. The increase in Mental Health intergovernmental revenue is due to carry forward dollars and anticipated enrollment increases. Grant revenue from the State is actually budgeted to decrease.

During 2010, the County was awarded a \$2 million Energy Efficiency Community Development Block Grant (recorded in Grant Programs – Pass Thru, Special Revenue fund 2750). The County anticipates spending \$1.5 million of the grant in 2010, with the remainder budgeted for 2011. Workforce Investment Act (WIA) as well as the Community Action Agency (2870) and Weatherization (2890) programs reflect a decrease primarily due to the anticipated end of federal stimulus dollars. The 2010 amended budget includes \$3.9 million more in stimulus dollars than 2011. Some of these dollars may be carried over to 2011, but in observance with the County's budgeting philosophy, nothing is budgeted in these funds until formal grant notification is received.

Charges for Services revenue, at 8.8 percent of total revenue, is increasing 9.9 percent. The main area of increase is in the General Fund. Specifically, charges to departments for indirect administrative costs are increasing \$524,000. During 2009, the new Grand Haven Courthouse facility opened. The previous facility was fully depreciated, so facilities charges for the departments that occupy the building (mainly the Courts) increased significantly. The new facility is also significantly larger, resulting in greater operational charges as well.

In addition, the District Court reviewed all of the fees not governed by statute. Beginning in July of 2010, all civil infraction fines were increased by 10%. The Court also instituted a new probation oversight fee of \$15 per month for new parolees. Various other District Court fees were also adjusted, resulting in an increase of \$310,000. Last, reimbursements from the State for the housing of jail inmates has been reinstated for part of 2010 and 2011. The County has also begun to house Muskegon County parolees for a fee as well. The two together added over \$200,000 to the 2011 budget.

Interest on Investments reflects a decrease of \$183,000 or 23.7 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. Specifically, some of the County's long term investments are coming due, and the investment vehicles available now have low interest rates.

Licenses and Permits revenue is increasing because the County instituted a new 3 year dog license (the current licenses are annual). This change is resulting in a one year increase followed by two years of substantially lower revenue.

Other Revenue is decreasing primarily in the Parks and Recreation fund. During 2010, the department is receiving a one time grant from the Great Lakes Fishery Trust for the Holland Harbor Access Project. In addition, housing fees from other counties are also decreasing in the Child Care fund. Specifically, the contract with VanBuren County for bed space was terminated. Although the County has added contracts with other counties for bed space, the total number of beds rented is

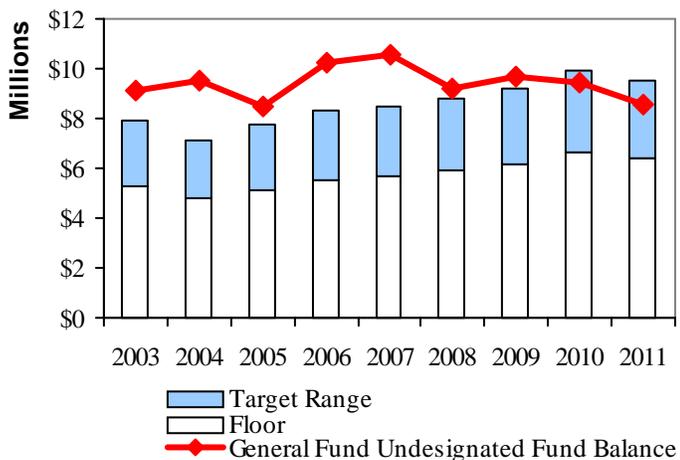
down. As gender specific and other specialty programs are added, the County anticipates additional bed rentals.

Operating Transfers In revenue is decreasing in the General Fund because the Revenue Sharing Reserve fund will be depleted in early 2011 (\$4.2 million). In addition, the 2010 budget includes a \$1 million transfer from the Stabilization fund (though no actual transfer is anticipated at this point). The 2011 budget does not include a transfer from this fund. The 2010 budget includes \$311,000 for the remaining costs of the Grand Haven Courthouse construction. The operating transfer to the Health fund is decreasing \$245,000. Several fees were increased as part of the user fee study, and lower health insurance costs both contributed to the decrease in the amount needed from the General Fund.

Fund Balance usage is decreasing for several reasons. As discussed under operating transfers, \$4.7 million is being transferred from the Revenue Sharing Reserve Fund to the General

Fund in 2010 which nearly depletes the fund at 12/31/2010; only \$423,000 will be transferred in 2011. The 2010 budget also included the use of \$1 million from the Stabilization fund; nothing is budgeted from the fund in 2011. Also in 2010, the Parks and Recreation fund is budgeted to use \$1 million of fund balance in connection with land purchases and capital improvements. Fund balance usage of \$452,000 is budgeted in 2010 in the Landfill Clean-up fund for the completion of the upgrade to the clean-up project. However, the 2011 General Fund budget includes \$1 million of fund balance use in 2011 versus \$500,000 in 2010. The good news is that the County does not anticipate using significant fund balance in the General Fund in 2010.

General Fund Targeted and Actual Undesignated Fund Balance



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). The graph above illustrates the County’s compliance with the policy.

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

Use	2010 Amended Budget	2010 Percent of Total	2011 Proposed Budget	2011 Percent of Total	Percent Increase (Decrease)
Legislative	\$531,464	0.3%	\$471,519	0.3%	-11.3%
Judicial	15,001,086	9.2%	14,846,273	10.1%	-1.0%
General Government	18,316,358	11.3%	16,226,736	11.0%	-11.4%
Public Safety	29,882,287	18.4%	29,801,070	20.3%	-0.3%
Public Works	1,522,703	0.9%	1,328,446	0.9%	-12.8%
Health & Welfare	69,067,157	42.5%	63,892,402	43.5%	-7.5%
Culture & Recreation	6,310,939	3.9%	4,537,232	3.1%	-28.1%
Community & Economic Development	707,284	0.4%	689,098	0.5%	-2.6%
Other	686,837	0.4%	846,298	0.6%	23.2%
Capital Projects	311,139	0.2%	0	0.0%	-100.0%
Debt Service	3,151,432	1.9%	3,145,464	2.1%	-0.2%
Operating Transfers Out	17,309,201	10.6%	11,235,090	7.6%	-35.1%
Total Expenditures	\$162,797,887	100.0%	\$147,019,628	100.0%	-9.7%

Legislative expenditures are decreasing because the 2010 budget includes \$20,000 for a citizen survey and reduced costs for health insurance in 2011. In addition, during 2010, the compensation committee recommended and the Board of Commissioners approved a 10 percent reduction in the Board members' compensation.

Judicial expenditures are decreasing slightly; much of the decrease is due to grant reductions. In particular, the 2010 budget includes a \$350,000 Safe Havens pass through grant related to supervised child visitation. The grant and reductions in health insurance account for the decreased expenditures. The decrease would have been more, but charges for indirect administrative costs are increasing significantly for judicial functions because most of these departments occupy the new Grand Haven Courthouse as discussed under Charges for Services revenue.

General Government expenditures are decreasing 11.4 percent. The 2010 budget includes \$1.5 million for the one time Energy Efficiency Community Development Block Grant discussed under intergovernmental revenue. As with the other functions, decreases in health insurance also resulted in lower expenditures. The County also anticipates lower utilities costs due to energy efficiency changes made at all County facilities, and the 2010 budget reflects election expenses. Last, the Register of Deeds Technology fund reflects the final payment for the new software purchased (\$123,000) in 2010.

Public Safety expenditures, representing 20.3 percent of total expenditures, are essentially staying steady, but the totals are misleading. The Jail Health Services budget (2010 - \$826,000) had previously been recorded as a health and welfare function. Effective with the 2011 budget, the expenditures will be combined with the Jail (public safety function). Health insurance costs, on the

other hand, are decreasing by \$634,000 over all public safety functions. The Sheriff 9/30 Grant Fund is \$165,000 less due to fluctuations in grant awards. Last, the payment to the Ottawa County Central Dispatch Authority, which is based on the tax levy associated with the function, is \$177,000 less due to declining taxable value.

Public Works expenditures are decreasing by 12.8 percent due to the completion of the recapping project at the landfill. The project began in 2005 and the County has paid over \$2 million to date, and the Ottawa County, Michigan Insurance Authority has paid an additional \$1.8 million. The project was the result of a lawsuit filed by the State of Michigan against the County

Health and Welfare expenditures, representing 43.5 percent of total expenditures is decreasing by 7.5 percent. As discussed previously, approximately \$826,000 is due to the move of the Jail health program to the Jail (public safety function). Expenditures for the Health fund are \$1.2 lower in total. The 2010 budget includes nearly \$400,000 more for the pandemic flu (H1N1) grant. The 2011 budget for vaccines also reflects fewer clients coming in for vaccines (\$100,000). Health insurance charges in the Health fund are decreasing \$302,000 in 2011.

As discussed previously under intergovernmental revenue, Michigan Works!/Community Action Agency programs are decreasing by \$4.1 million for reasons discussed under intergovernmental revenue. Conversely, the Mental Health budget is increasing by \$1.3 million or 3.9%. Significantly more will be spent on developmentally disabled child case management and mentally ill adult case management.

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 2010 capital outlay budget is \$4 million which includes \$2 million for land acquisition and \$1.9 million for various park improvement projects. The 2011 capital outlay budget is \$2.2 million which includes \$200,000 for land purchases, \$730,000 for the Olive Shores improvement project, \$746,000 for the Holland Country Club restoration, and various other, smaller projects.

Capital Projects reflects the final expenditures of the Grand Haven Courthouse project in 2010. No capital construction projects have been planned for 2011 other than those in the Parks and Recreation fund.

Operating Transfers Out are decreasing for the same reasons discussed under operating transfers in. The amount is slightly different due to funds having different year ends.

CHANGES TO 2011 DEPARTMENTAL REQUESTS

Changes to the 2011 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 2011 General Fund budget as proposed by departments included revenues of \$62,401,702 with associated expenditures of \$66,782,106. The major adjustments to the 2011 Budget include:

Revenues:

2011 General Fund Budget Proposed by Departments	\$62,401,702
Analysis and fine tuning of tax projections	294,000
Diversion of rent revenue from the Public Improvement Fund	300,000
Diversion of jail phone commission revenue (current and prior years) from Telecommunications	200,000
Correction to Circuit Court revenue	(305,000)
Adjustments to District Court projections	(400,000)
Additional indirect cost to be charged to Michigan Works!	86,000
Anticipated reinstatement of PA 237 & Contract with Muskegon Probatio	276,000
Decreases in rent revenue resulting from reduced costs	(165,000)
Decreases in contributions from local units resulting from reduced costs	(73,000)
Reflect estimated 6.5% reduction in revenue sharing	(271,000)
Anticipated utility rebates	190,700
Other miscellaneous adjustments	(34,223)
Total General Fund Revenue Proposed by Finance and Administration Committee	62,500,179
Budget use of fund balance	1,000,000
Total Revenues and Use of Fund Balance	\$63,500,179

Expenditures

2011 General Fund Budget Proposed by Departments	\$66,782,106
Anticipated savings from health care plan changes	(2,416,000)
Reduced operating transfer to the Friend of the Court based on revised revenue estimates	(173,700)
Reduction to reflect health insurance opt outs	(476,000)
Reduction for anticipated vacancies	(122,000)
Child Care Fund budgets increased based on current activity	52,000
Added data processing charges to budgets submitted before available	395,000
Adjusted for revised retirement rates from MERS	(110,000)
Reduction to Sheriff and Jail operational supplies based on historical need	(396,000)
Other miscellaneous adjustments	(35,227)
Total General Fund Expenditures Proposed by Finance and Administration Committee	\$63,500,179

SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECTS AND PERMANENT FUNDS

In the 9/30 Judicial Grant Funds, both revenue and expenditures were adjusted to reflect amounts in the grant applications and approvals (as they came in). Expenditures in the Public Health Fund (Special Revenue Fund 2210) were decreased primarily due to the change in health insurance rates (the operating transfer was adjusted accordingly). 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.

Certain Workforce Investment Act Funds were increased from the original departmental request upon notification of grant approvals (\$3.6 million). Sheriff Grant Programs was increased by \$432,000 upon notification of their grant award for port security. The remaining funds had no significant changes made to their 2011 budget requests other than changes to their health insurance budgets.

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.

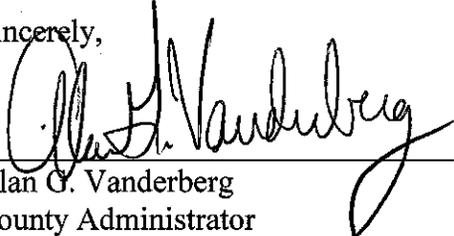
With financial forecasting and the creation of long-term financing tools, the County has positively impacted future financial decisions and the County's financial stability. These tools permit the County to reduce taxes to County residents, maintain the County's bond rating, and control costs to departments. 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.

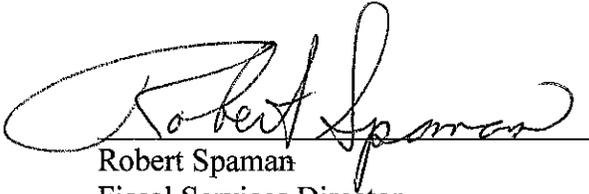
The County is projecting operational deficits over the next five years as a result of the declining tax revenue, the possible reduction in State Revenue Sharing, and the increasing cost for employee benefits. Ottawa County also remains one of the fastest growing counties in Michigan which increases the 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 2011 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


Robert Spaman
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, 2010. This was the fifteenth year that the County has submitted and received this prestigious award.

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

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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Ottawa County
Michigan**

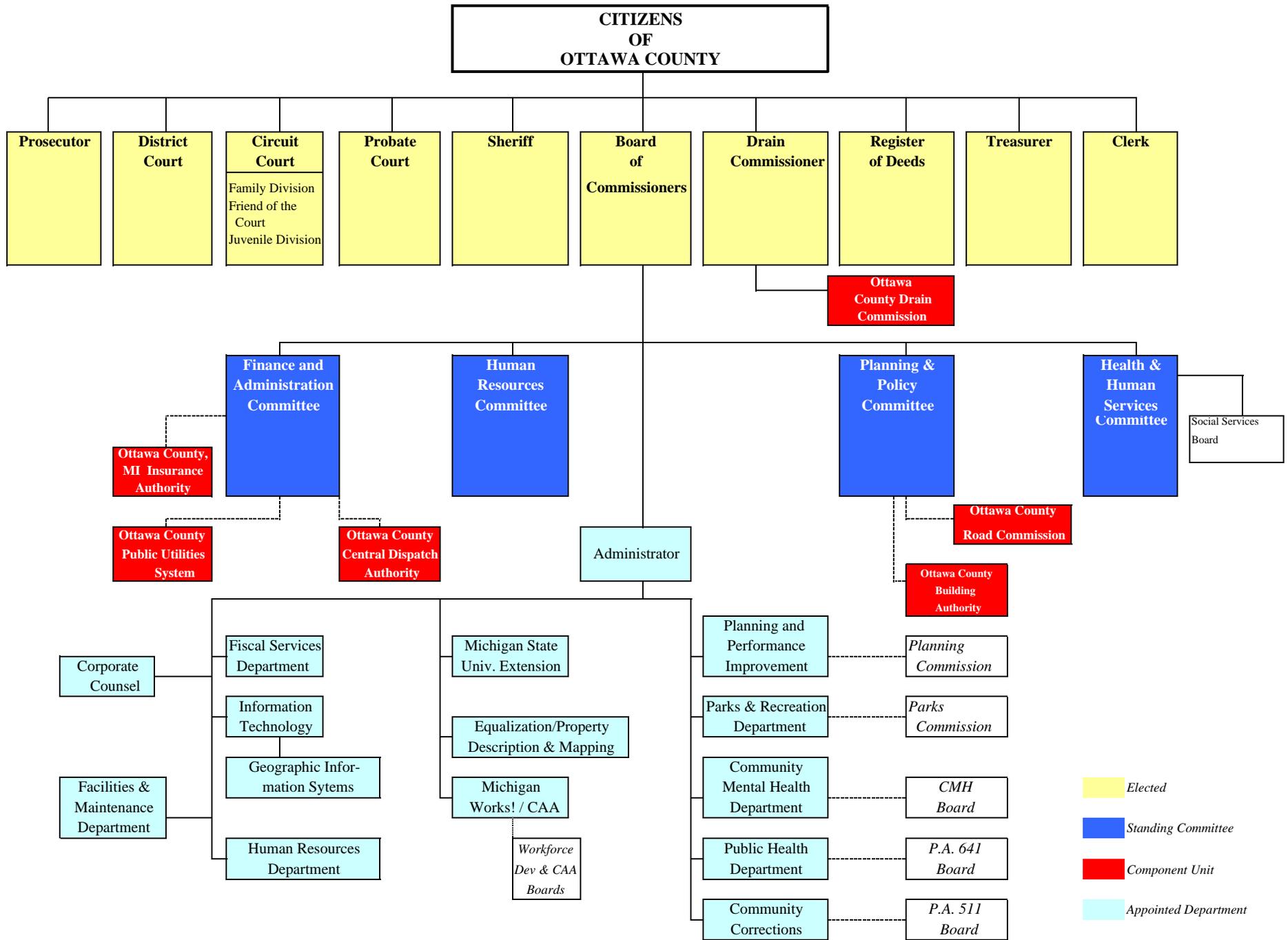
For the Fiscal Year Beginning

January 1, 2010

President

Executive Director

2011 ORGANIZATIONAL CHART



- Elected
- Standing Committee
- Component Unit
- Appointed Department