

**County of Ottawa
Grand Haven, Michigan**

2014 Budget



2014 BUDGET
for
OTTAWA COUNTY
GRAND HAVEN, MICHIGAN
www.miottawa.org

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PREPARED BY:
THE FISCAL SERVICES DEPARTMENT

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October 22, 2013

Board of County Commissioners and Citizens of Ottawa County:

Transmitted herein are the 2014 Operating Budgets for County operations. The combined budget, including component units, totals \$216,354,011 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 2014 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 2014 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 department level.

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

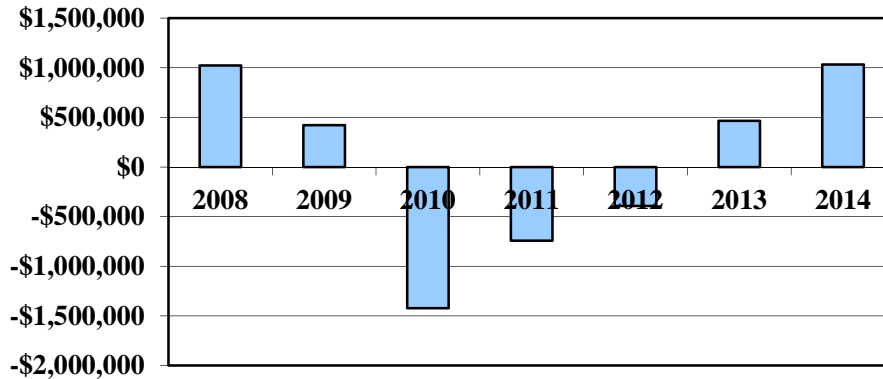
FINANCIAL ISSUES

The County believes it has seen the worst of the recession and is beginning to show signs of growth. However, due to State laws that limit increases in taxable value, the climb back up will likely take longer than the climb for the economy as a whole. The 2014 budget process focused on providing quality services and programs and investing for the future.

Revenues: Several of the County's revenues are improving. The County topped national averages in job growth and manufacturing expansion. These developments impact not only the tax base, but other economy driven revenues as well.

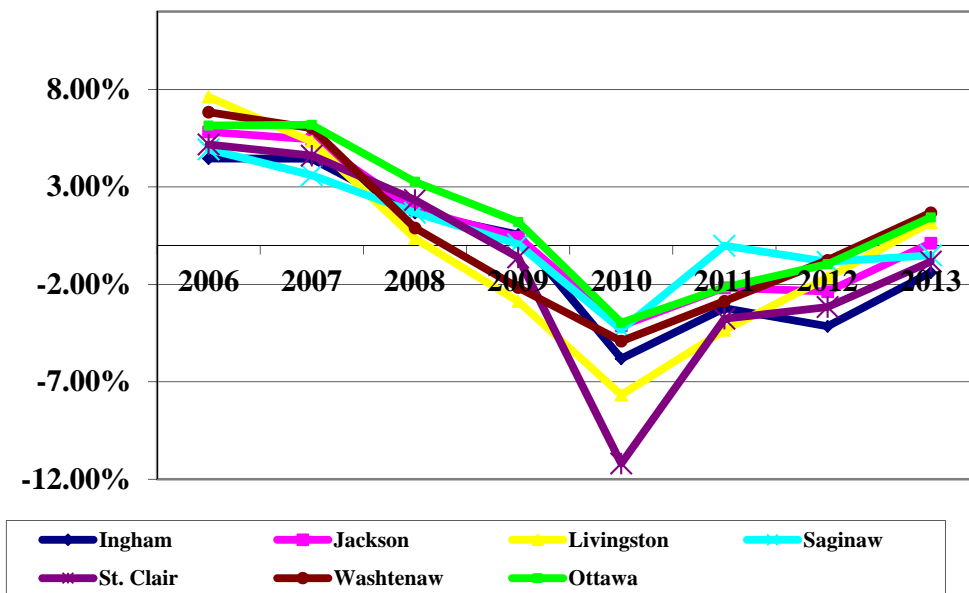
Tax Base: For many years, the County’s finances were robust and able to accommodate both mandated services as well as certain discretionary programs approved by the Board of Commissioners. Strong growth in population and by extension, the tax base, provided the necessary funds to cover programs on a consistent basis. Like most Michigan municipalities, the trend changed during the great recession. However, as the graph that follows illustrates, the County is now experiencing increases in the tax base.

Ottawa County Change in Operating Tax Revenue



Even during the worst of the recession, the tax base in Ottawa County retained its value better than that of comparable Michigan counties. In terms of recovery, the County is only slightly behind Washtenaw County in terms of taxable value growth:

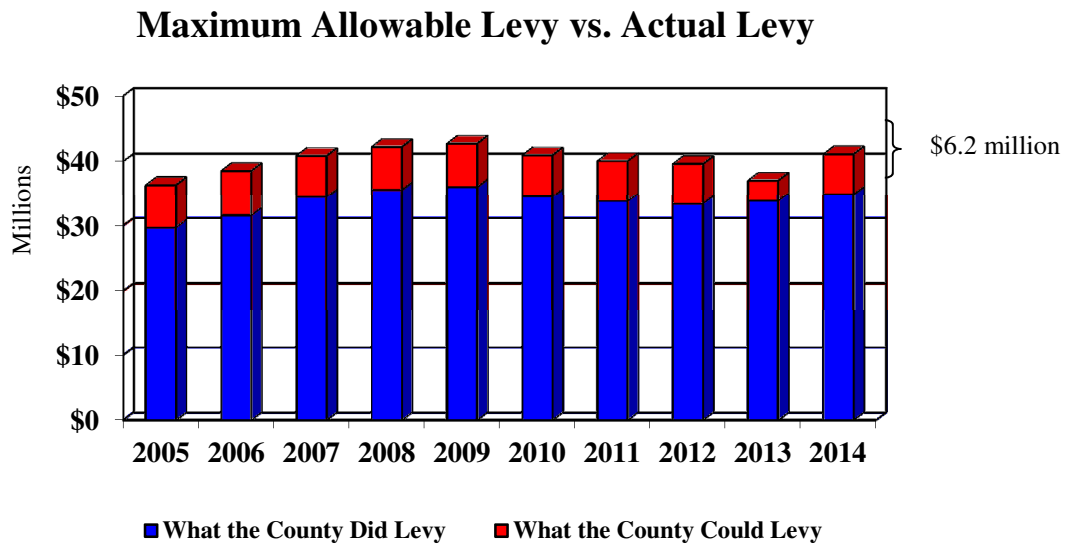
Changes in Taxable Value – Ottawa and Comparable Counties



Property Tax Revenue and the Citizen Tax Burden: The County remains sensitive to taxpayer contributions. Ottawa County has a maximum tax limit of approximately 4.2650 mills

for 2014 County operations. 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, the County’s strategic plan directs us to implement processes and strategies to address operational deficits with pro-active, balanced approaches. Consequently, the Board of Commissioners has chosen to continue to levy the lower amount of 3.6 mills, well below its legal maximum levy, for 2014 operations. **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 seventeenth consecutive year that the County has levied less than the maximum.

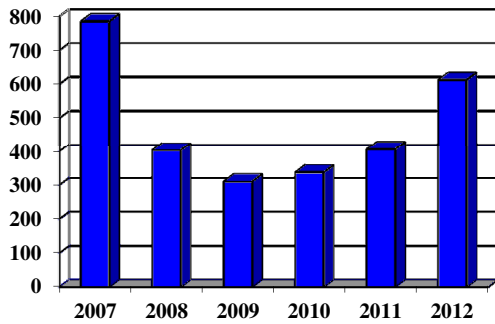
The following graph shows a history of the maximum allowable millage rate for County operations versus the actual levy for budget years 2005 - 2014:



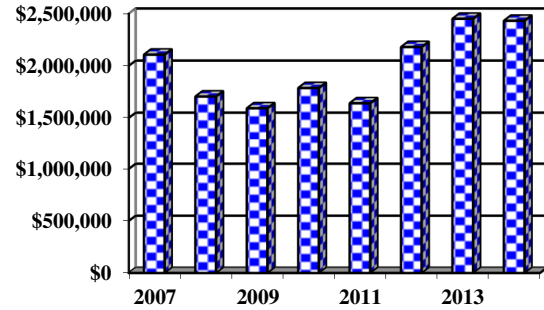
New Legislation Impacting Property Taxes: As enacted by Public Act 401 of 2012, Section 9o of the General Property Tax Act provides for an exemption, beginning December 31, 2013, for industrial personal property or commercial personal property owned by a person in a local tax collecting unit, if the combined taxable value of all such property owned by or under the control of the person is less than \$40,000 in that local unit. Senate Bill 490 of 2013 would change the threshold for the exemption to \$80,000 true cash value. There are no provisions for reimbursing counties for revenue lost due to this exemption. This new legislation is estimated to decrease Ottawa County’s property tax revenue be approximately 0.50% compared to what it would have been without this legislation.

Economy Related revenue: The improving economy 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. After years of decline, the revenue is on an upward track. Building permits rose by 51% in 2012. The Register of Deeds revenue graph that follows shows corresponding increases in revenue in 2012 and 2013. The 2014 budget is approximately the same as 2013, but 2014 is still significantly higher than 2009 (the low point over the last several years).

Reported Privately Owned Residential Building Permits

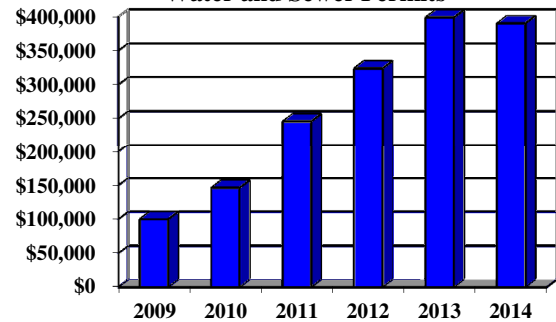


Register of Deeds Revenue



Likewise, revenue in the Health fund for water and sewer permits in the County also indicates an improving financial outlook, nearly tripling between 2009 and 2013.

Water and Sewer Permits



State and Federal Funding: Governor Rick Snyder has made restoring the State’s fiscal status his top priority for the last several years. In order to achieve his goal, Governor Snyder essentially ended the revenue sharing program and replaced it with the County Incentive Program (CIP). In order to receive these funds (which are for general operations in the County), the County must meet the following three criteria:

1. **Accountability and Transparency:** By October 1 of each year the County must produce a citizen’s guide of its most recent local finances, including a recognition of its unfunded liabilities, a debt service report with debt service requirements, a performance dashboard, and a projected budget report including at a minimum the current fiscal year and a projection for the immediately following fiscal year. All documents are made available for public viewing on the County website, www.miOttawa.org. A sample of the dashboard follows:



Ottawa County COUNTY & STATE GOVERNMENT DASHBOARD

Economic Strength

Measure	Ottawa County			Michigan		
	Prior	Current	Progress	Prior	Current	Progress
Monthly unemployment rate ¹	7.7%	6.7%		9.2%	8.9%	
	5 of 83 Counties					
Real Gross Domestic Product (GDP)	6.8%	4.2%		4.9%	2.3%	
	1 of 15 MSAs			6 of 50 States		
Percent of structurally deficient bridges	3.7%	2.9%		13.2%	11.8%	
				31 of 50 States		
Real personal income per capita	\$25,462	\$25,858		\$27,107	\$27,762	
	21 of 83 Counties			36 of 50 States		
Children living in poverty	13%	12%		23%	25%	
	2 of 83 Counties			38 of 50 States		

1. "Prior" represents the same month of the previous year. Ottawa's rate is not seasonally adjusted because seasonally adjusted rates are not available for counties.

Health & Education

Measure	Ottawa County			Michigan		
	Prior	Current	Progress	Prior	Current	Progress
Infant mortality (Per 1,000 births)	4.9	5.9		7.7	7.4	
	10 of 23 Cores w/≥ 6 deaths			36 of 50 States		
Obesity in the population	24.0%	23.1%		n/a	31.3%	n/a
	3 of 44 Health Depts			46 of 50 States		
3 rd graders reading at grade level	74.1%	75.2%		63.3%	67.7%	
	4 of 57 School Districts					
ACT college readiness benchmarks	25.3%	24.2%		17.3%	17.7%	
	4 of 57 School Districts					
Pop. w/bachelor's degree or higher (25+ yrs. old)	29.5%	29.6%		25.2%	25.6%	
	9 of 29 Counties ²			35 of 50 States		

2. Ottawa's rank is among Counties with populations of 65,000 or more.

PROGRESS KEY:

Performance Improved	Performance Declined	Performance Maintained

Value for Government

Measure	Ottawa County			Michigan		
	Prior	Current	Progress	Prior	Current	Progress
Bond rating (Moody's)	Aaa	Aaa		Aa2	Aa2	
Government debt burden per capita	\$87	\$79		\$762	\$785	
				35 of 50 States		
State gov't operating cost as a percent of GDP ³	1.6%	1.5%		15.4%	15.1%	
State/local gov't operating cost as a percent of GDP	n/a	n/a	n/a	24.7%	24.7%	
Access to state gov't – number of online services ⁴	48	53		385	410	

3. Ottawa's data reflects the County's operating cost as a percent of GDP.

4. Ottawa's data reflects the County's online services.

Quality of Life

Measure	Ottawa County			Michigan		
	Prior	Current	Progress	Prior	Current	Progress
State park popularity – annual visits per citizen	n/a	n/a	n/a	2.36	2.60	
Percent of residents satisfied with County parks	95%	85%		n/a	n/a	n/a
Population growth (Ages 25-34)	(0.5)%	2.7%		(1.2)%	(0.7)%	
	13 of 83 Counties			48 of 50 States		
Clean/safe water resources – water quality index	n/a	n/a	n/a	85	85	

Public Safety

Measure	Ottawa County			Michigan		
	Prior	Current	Progress	Prior	Current	Progress
Violent crimes per 100,000	169.1	136.7		493.0	445.3	
	33 of 83 Counties			38 of 50 States		
Property crimes per 100,000	1,864.7	1,923.0		2,748.8	2,612.1	
	48 of 83 Counties			22 of 50 States		
Individuals fatally/seriously injured in traffic accidents	160	177		6,917	6,595	

Note: In some cases, County-level data are not available from the same data source used by the State. In other cases, County-level data are not available for the same time frame used by the State. In these instances, data sources and time frames were selected that most closely match those of the State. Due to this difference, it must be noted that comparisons may not be completely equivalent in all cases.

Prepared by: Planning and Performance Improvement Department (03/28/13)

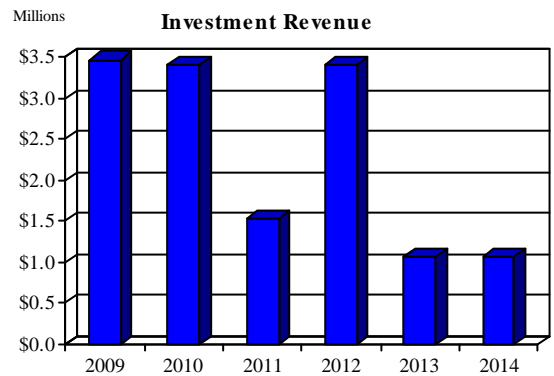
- Consolidation of Services: By February 1 of each year the County must submit a consolidation plan to the State that is additionally posted on the County website. At a minimum, for a county that is submitting a consolidation plan for the first time, the plan shall include a listing of any previous services consolidated with an estimated cost savings amount for each consolidation. In addition, the plan shall include one or more new proposals to increase its existing level of cooperation, collaboration, and consolidation either within the jurisdiction or with other jurisdictions, an estimate of the potential savings amount, and a timeline for implementing the new proposal. In its strategic plan, the County board includes an objective to examine opportunities for service delivery with local units of government. The County has a long history and proven track record of collaboration with local units of government, including: City of Grand Haven purchases equalization services from the County and the Sheriff's department holds contracts with several municipalities in the County to provide policing services; these programs are included in the Sheriff Grants & Contracts fund (Special Revenue fund 2630).
- Employee Compensation: By June 1 of each year the County must meet one of two options involving employee compensation. The County has met this criteria by complying with Public Act 152, which requires the County contribution towards health care to be below a hard cap figure established by the State.

The County's strategic plan includes the objective to advocate for the full reinstatement of State revenue sharing and mitigate any negative impacts of the shift of this funding to the CIP.

The first criteria has been met, and the County website includes the required information. The County also meets the second criteria for all but couple coverage, and will opt out of this provision for 2012. The County does not provide post-employment health care, so the multiplier limits do not apply. The County meets the remaining pension criteria. The 2014 budget reflects the attainment of all the necessary criteria in its expenditures, and includes \$3.7 million in CIP revenue, representing a 4.8% increase over 2013.

Mental Health: Community Mental is anticipating \$400,000 for the new autism benefit that was implemented in April of 2013. The expansion of Medicaid was approved in August of 2013 which was too late to include in the 2014 budget process. At this point, the impact on services has not been fully determined.

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 over 3 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.



As indicated in the graph to the right, investment revenue can vary significantly. The County is limited by the State of Michigan in its choice of investment vehicles and anticipates average return rates to remain low. However, the Ottawa County, Michigan Insurance Authority is not required to adhere to the same requirements as the rest of the County. Specifically, the Authority is allowed to buy equity securities. The fluctuations are due to these investments.

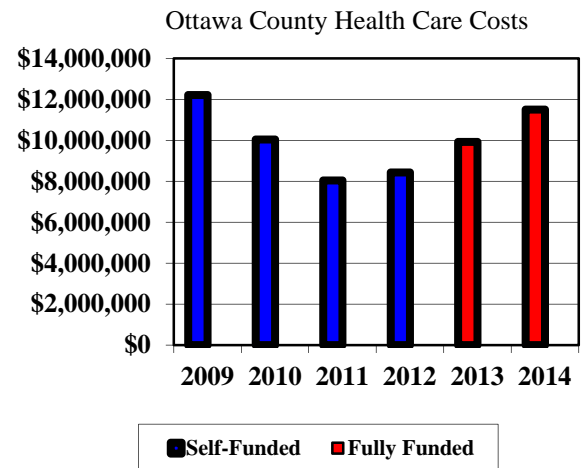
Expenditures: Like most organizations, the County faces continued increases in expenditures, and, over time, these increases can negatively impact the provision of services, especially in times of decreasing revenue. Since approximately 60% of General Fund expenditures are funded with property tax, increases 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 legislation impacting increases in taxable value, County Administration knew that budgets would continue to be challenging over the next few years. Originally, the 2014 budget included a 2% increase, but in connection with changes in health insurance, the increase is 2.5% as of January 1, 2014.

Fringe Benefits: The strategic plan directs the County to reduce the negative impact of rising employee benefit costs on the budget. Prior to 2011, the County self-insured health insurance costs. After putting it out for bid, the County saved money by changing to a fully insured plan through Priority Health, and the County has renewed their contract with them for

2014. During 2012, the County launched their health management initiative described as the “Know Your Numbers” campaign.

During 2013, the County launched the “Work Your Numbers” campaign. Employees who do not show improvement in any metrics outside of the plan threshold and who opt out of working with their doctor will be charged a noncompliance penalty on their health insurance. The revenue generated from these penalties will more than cover the \$160,000 budget for the health management program. Nevertheless, the graph to the right shows that 2014 budgeted costs are still lower than 2009. In fact, the costs in 2009 totaled \$12.2 million; the 2014 budget is \$11.5 million.



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. However, as of January 1, 2008, retirees over age 65 can only purchase insurance at the full actuarially determined cost, and the County no longer provides credits towards the premium. As a result, the County’s OPEB unfunded accrued actuarial liability on December 31, 2012 was just \$563,549. The annual required contribution (ARC) included in the 2014 budget is just under \$230,000.

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 is identified in the County’s Strategic Plan and continues to be monitored as new legislation is considered. During 2005, County departments identified mandated and discretionary services. Discretionary services were further categorized as essential or non-essential. During 2007, the Board of Commissioners completed their first ranking of discretionary services and in January of 2010, the Board of Commissioners completed the first ranking of all County services (mandated and discretionary). Rankings of both mandatory and discretionary services have continued/will continue annually in 2014. The rankings have provided an additional tool to identify reductions in 2012 and will likely factor into future budget decisions.

Fund Balance/Net Assets: One of the objectives in the County’s strategic plan is to implement processes and strategies to address operational budget deficits with pro-active, balanced approaches to avoid significant, unplanned use of unassigned fund balance.

Fund Type	Total Equity 2010	Total Equity 2011	Total Equity 2012	Total Projected Equity 2013	Total Projected Equity 2014
General Fund	\$ 17,979,501	\$ 21,244,490	\$ 20,347,872	\$ 21,311,909	\$ 20,139,435
Special Revenue Funds	31,924,757	32,575,283	33,466,087	35,215,881	33,949,876
Delinquent Tax					
Revolving Fund	24,271,796	24,023,477	24,009,202	23,372,557	22,251,891
Internal Service Funds	32,657,693	34,045,916	36,898,377	36,419,150	36,480,815
Total Equity	<u>\$ 106,833,747</u>	<u>\$ 111,889,166</u>	<u>\$ 114,721,538</u>	<u>\$ 116,319,497</u>	<u>\$ 112,822,017</u>

Equity at the end of 2014 is expected to decrease by 3.0%. Total fund balance in the General Fund is budgeted to decrease by \$1.1 million, but the County has not historically had to use fund balance due to positive budget variances. However, \$222,000 is budgeted to come from previously committed/assigned fund balance. In the Special Revenue funds, the Public Improvement fund is budgeted to spend \$363,000 of fund balance in connection with three capital improvement projects. The Solid Waste Cleanup fund is expected to use \$267,000 of fund balance in connection landfill clean-up efforts. The Parks fund is budgeted to use \$242,000 for various capital endeavors. Both the Health fund and the Child Care fund are budgeted to spend \$200,000 each of fund balance, but the County does not anticipate fund balance will be needed due to historical vacancies, Medicaid cost settlements and other grants that come in during the year. The Capital Projects fund is budgeted to expend the remaining bond proceeds of \$2.6 million for the Qualified Energy Conservation Bonds. As planned, net assets in the Delinquent Tax Revolving Fund (DTRF) are decreasing. Multiple bond payments, and operating transfers to the General Fund, are paid from the fund. Consequently, net assets are expected to decrease through 2017, after which one of the larger bond issues will be paid off. Net assets of the Internal Services are expected to stay steady.

Despite the decreases, the County still has considerable equity in relation to expenditures. The table that follows illustrates this point:

	2014 Budgeted Expenditures	Estimated Equity	Equity as a % of Expenditures
General Fund	\$ 66,884,208	\$ 20,139,435	30.1%
Special Revenue Funds	74,516,934	33,949,876	45.6%
Delinquent Tax			
Revolving Fund *	2,809,845	22,251,891	791.9%
Internal Services Funds	21,687,737	36,480,815	168.2%
	<u>\$ 165,898,724</u>	<u>\$ 112,822,017</u>	68.0%

** 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 15% 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 2014 Budget

The upward pressure on expenditures combined with lower increase in revenue results in a deficit for the 2014 General Fund budget as submitted by departments. Specifically, expenditure requests exceeded projected revenues by \$2.4 million, not including personnel requests. The 2013 budget submitted by departments came in with expenditures exceeding revenues by nearly \$4 million.

Cost Reductions:

Beginning in 2010 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 2014 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	Accountant I	.50	\$37,368	Vacancy began in 2010
Treasurer	Clerical	1.00	\$57,840	Vacancy began in 2010
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 2013

Health Insurance: Like most entities, Ottawa County has become concerned about the rapid increase in health insurance costs. Effective with the 2014 budget, the County is reducing its contribution into health savings accounts from 75% of the minimum deductible allowed by the IRS to 50%. The associated savings for this change are approximately \$390,000.

Cost Refinements:

At the start of the budget process in April, a projected cost of living adjustment for salaries of 2% was projected. This was based on what other governmental entities were planning for 2014 as well as their increases in prior years as compared to the County. As changes were made to the County's contribution to the health savings account an additional .5% was added to the cost of living adjustment.

Also at the beginning of the budget process, health insurance rates were projected to increase 23% including the cost of new taxes associated with national health care. However,

when the bids came in during August, the increase was more reasonable due to improved claim experience and more employees opting for the high deductible insurance plans. As a result, the budget for health insurance premiums includes an 11.89% increase, a savings of approximately \$606,000 in the General Fund. Additionally, the impact of the more favorable health insurance rates further benefitted the General fund by reducing costs in other funds. The additional savings to the General Fund totaled approximately \$131,000. In 2007 through estimated 2012, savings from staff vacancies ranged from \$400,000 - \$545,000 per year. In the 2013 budget, the County reduced the budget by \$400,000 to reflect vacancies. Based on actual experience, the County has reduced the 2014 budget by \$365,000 to reflect vacancies.

When departments turned in their budgets in June, charges for Innovation and Technology (Internal service fund) were not available. Consequently, these costs were added in at the next budget level and totaled \$1.7 million. Other corrections to department head budgets included corrections to temporary salaries in the public safety function, corrections to the animal control contract budget to reflect the most recent contract, and more realistic commissary costs at the jail when comparing the revenues coming in from inmates vs. the items purchased. More funds were added to legal expenditure budgets in the Circuit Court based on trials anticipated in 2014.

Other corrections impacted the budget positively. The initial revenue calculation in the Child Care fund was corrected, impacting the General Fund by \$1.1 million. Reductions were also made to the Sheriff and Jail operational supply budgets based on historical spending (\$122,000).

Refinements were also made to the operating transfers to other funds. The transfer to the Health fund was reduced by \$113,000 to reflect the closure of the Ferris Street facility in Grand Haven. The facility was too large for the needs in that area of the County, so the County is renting space at a more central location in Grand Haven. The County plans to sell the Ferris Street facility. Other adjustments impacting the General Fund totaled \$90,000. The operating transfer to the Health fund and the Child Care funds were reduced by \$200,000 each based on historical expenditures.

Revenue Adjustments:

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 increase by 2.5%. As the budget process progressed, the projections became more favorable. As a result, the estimated change in taxable value for 2014 has been changed to increase by 3.0%. This change and other various adjustments/corrections are increasing the 2014 tax revenue budget by \$530,000 from the initial projection.

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. Prior to 2010, 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. Since the fund is projected to have \$3.8 million in fund balance at 12/31/2013 and the General Fund is also projected to have \$1.9 million available in designated fund balance, funds are available should an unanticipated need arise. As a result, \$528,000 of rent revenue that had been going to the Public

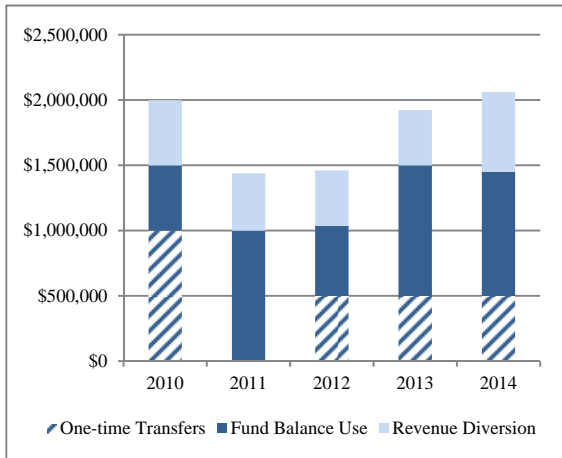
Improvement fund (prior to 2010) will continue to be credited to the General Fund in 2014. This is the fifth year of the revenue diversion, and the County is projecting that this rent may continue going to the General Fund for the next five years.

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. In 2010 - 2012, General Fund financial results allowed the County to continue to credit the Telecommunications fund with this revenue. Given that the fund is projected to have over \$2.9 million in retained earnings at 12/31/13, funds are available for additional infrastructure purchases. As a result, the estimated \$92,000 of inmate phone commission revenues will continue to go to the General Fund in 2014. The County is projecting that this revenue may continue going to the General Fund for the next five years.

One-time Dollars:

County financial policies stress the importance of matching operating revenues to operating expenditures. However, 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. The 2014 budget includes a \$500,000 transfer from the Ottawa County Insurance Authority. At 12/31/12, the fund has net assets of \$17.3 million. The County contributed money to start the Authority in 1990, and the balance of that contribution is \$4.6 million. While not a permanent funding source, the fund is able to contribute to the General Fund at least through 2019. In addition, the 2014

General Fund Budget Balancing Strategies



budget includes the use of \$950,000 of unassigned General Fund fund balance. Historically, the County has budgeted the 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 unassigned fund balance between 10 to 15 percent of the most recently audited expenditures of the General Fund. The County has maintained an unassigned fund balance of at least 15% for several years. If the County used the entire \$950,000, it would still be within the parameters of the financial policy.

It should also be noted that the one-time dollars of \$950,000 represent less than 1.5% of the General Fund 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. The table that follows summarizes the changes made to balance the General Fund.

Revenues:

2014 General Fund Budget Proposed by Departments	\$63,846,499
Diversion of rent revenue from the Public Improvement Fund	542,000
Correction, analysis and fine tuning of tax projections	530,000
Adjustment to Register of Deeds revenue	388,000
Reflected use of assigned/committed fund balance	222,000
Revised County Incentive Program revenue estimate from State	133,000
Diversion of jail phone commission revenue from Telecommunications	92,000
Other miscellaneous adjustments	180,279
Total General Fund Revenue Proposed by Finance and Administration Committee	<u><u>\$65,933,778</u></u>

Expenditures

2014 General Fund Budget Proposed by Departments	\$66,273,972
Other corrections/adjustments to Child Care fund	(932,000)
Reduction in health insurance net of .5% increase in salaries	(400,000)
Transfer to the Health and Child Care funds budget decreased based on current/historical activity	(400,000)
Reduction for anticipated vacancies	(365,000)
Other reductions to Health fund transfer	(358,000)
Reduction to Sheriff and Jail operational supplies based on historical needs	(122,000)
Decreased operating transfers to other funds for other reductions	
Increase Circuit Court legal	91,000
Correct animal control contract and jail commissary expenditures	291,000
Correction to Sheriff, Marine, Jail temporary salaries	331,000
Personnel additions	455,000
Addition/correction of IT charges calculated by consultant that were not available when departments submitted budgets	1,699,648
Other miscellaneous adjustments	319,588
Total General Fund Expenditures Proposed by Finance and Administration Committee	<u><u>\$66,884,208</u></u>

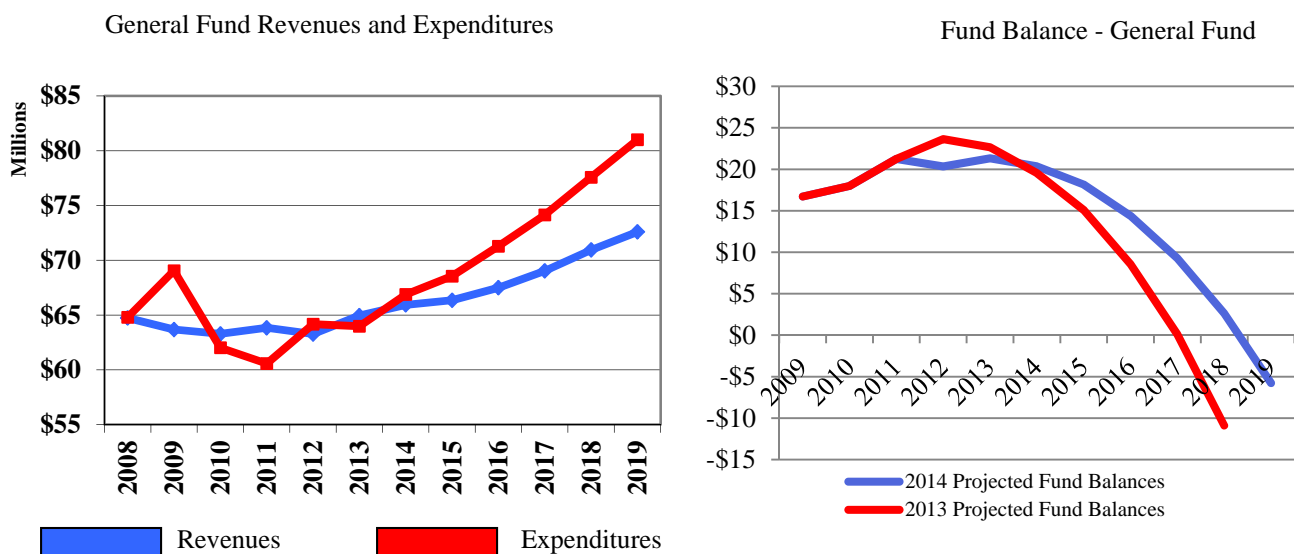
SPECIAL REVENUE, DEBT SERVICE, CAPITAL PROJECTS, AND PERMANENT FUNDS

In addition to the changes made to operating transfers in to the Special Revenue funds discussed with the General Fund, the changes made in the General Fund for health insurance and the additional .5% cost of living adjustment were also made in the Special Revenue funds. The remaining changes are corrections or refinements and do not reflect any changes in services.

FUTURE FINANCIAL PLANNING CONCERNS

The County's strategic plan addresses the goal of maintaining and improving the financial position of the County. An objective is to identify 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 few years. 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. However, the good news is that projections have improved from last year's projections.



The graphs above show an increasing gap between revenue and expenditures that widens to as much as \$5.8 million and total fund balance shows a deficit by 2019 if revenue and expenditure assumptions prove true and no additional changes are made to operations. The good news is that these projections are significantly better than prior year projections as indicated by the graph on the right. The County is confident it will be able to make the necessary adjustments to bring expenditures in line with revenues without negatively impacting service levels.

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* has changed the value on which the County calculates its tax revenue by approximately \$935 million which equates to \$3.4 million in County operating taxes. Although the County believes it has seen the worst of the property value declines, the *Proposal A* legislation will make tax base recovery a long process.

Additionally, Public Acts 401 and 403 of 2012 provide exemptions for industrial and commercial personal property beginning December 31, 2015. For 2016, there may be a substantial reduction in revenue from personal property taxes. Methods of partial reimbursement of lost revenue were included in the package of bills, and revisions to the methods of

reimbursement are currently in the works. The County continues to work with the legislature to minimize the impact on the County.

State Revenue: On the positive side, during 2013, a resolution was reached with the State which requires the State to pay the balance owed to the County for expediting the survey and remonumentation program. Ottawa County has invested nearly \$1.8 million dollars in excess of annual grant dollars to complete the State's Remonumentation program. Ottawa County "expedited" their program based on the premise that the State would allow the County to complete the program early and be reimbursed for those expenses by the State. Unfortunately, the State delayed their payments to the County. The agreement results in even payments over 10 years beginning in 2015.

Expenditures

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

Employee Insurance: Increases in health care costs have been problematic across all sectors of the economy, including Ottawa County. As a result, the County strategic plan directs the implementation of a health management plan. From a management perspective, wellness programs have the potential to decrease absenteeism, reduce medical insurance costs, and improve employee productivity, recruitment, and retention. During 2012, the County launched their health management initiative described as the "Know Your Numbers" campaign designed to bring awareness of health issues employees may be facing to their attention. In 2013, the County implemented the "Work Your Numbers" campaign. Specifically, County employees and their spouses were required to complete three activities to avoid a surcharge on their medical premium contributions beginning in 2014:

1. Complete an online health risk appraisal by July 31, 2013.
2. Complete and submit a tobacco user certification form by June 21, 2013. If the participant uses tobacco products, he/she must participate in the "Tobacco Cessation Program" by July 31 to secure the lower health insurance copay.
3. Participate in a biometric health screening between May 21 and June 21, 2013. For employees and their spouses who have more than one biometric result outside of the plan threshold and there has been no improvement from the 2012 results, the person may avoid the premium surcharge if they work with their physician, completing a "Physician Verification Form."

The County believes the health management program will reduce health care costs in the future. The estimated \$160,000 in cost is covered by the surcharge applied to employees that are not in compliance.

Legacy Costs: Ottawa County has historically had a defined benefit pension plan with the Michigan Employees Retirement System (MERS) that provides employees with a monthly stipend based on final average compensation and years of service. Employers bear the investment risk and cost for an employee's retirement, making this system costly to an employer, especially in a bad market. A study was completed to identify both the short and long-term cost ramifications of changing retirement plans for new employees, estimating that in the long-term, the change if made for all employee classifications could save \$30 million over 30 years. However, in the short-term, the change would actually increase costs for approximately 10 years.

In order to plan for the short-term increase anticipated, the County Board established the DB/DC Conversion funds with transfers of approximately \$4.6 million from various funds.

The County's strategic plan includes the objective to continue to implement the strategy to move employee groups from a defined benefit (DB) plan to a defined contribution (DC) plan for new hires. On December 27, 2011, the County Board approved a series of resolutions to move new Unclassified and Group T (non-union) County employees from a DB pension to a DC pension effective January 1, 2012. As of April 1, 2013 all bargaining units have moved from a DB pension to a DC pension for new hires.

Landfill Clean-up Costs: In 1990, the County 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. \$2.34 million was transferred into the fund in 2012, but projections indicate continued declining fund balance. Consequently, the County may need to provide additional funding if projections hold true.

Revised Five Year Deficit Reduction Plan

Currently, Administration is maintaining the five-year deficit reduction plan to address the current projections. Specific strategies include:

- 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.
- Continued emphasis on the health management plan to lower future claims cost.
- Review and analysis of other fringe benefit costs.
- Implementation of the Continuous Improvement/Lean Government initiative to improve efficiency in all County departments as part of the County's 4C initiative that also includes Customer Service, Communication, and Cultural Diversity.
- 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

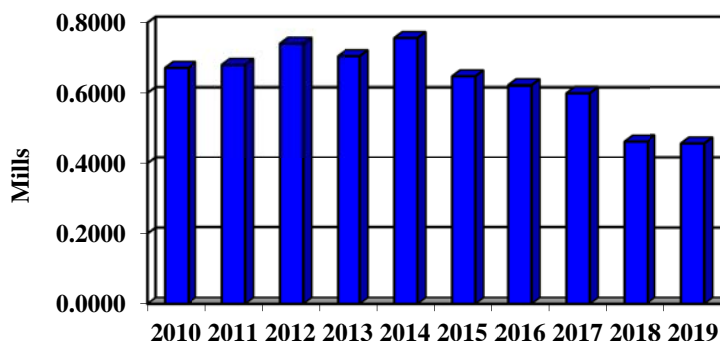
As budgeting becomes increasingly difficult, it is important to have alternate funding sources available. Long-term financial planning is addressed extensively in the County's Strategic Plan. The County Board adopted fiscal policies and procedures, which specifically

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 2012 Budget is as follows:

- Solid Waste Clean-up Fund (2271) is continuing to pay the clean-up cost on the Southwest Ottawa Landfill in 2014 (\$304,000).
- 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 2014 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 2014 budget also includes this revenue diversion, and the County anticipates this may continue through 2019. The 2014 revenue reassignment includes an additional \$228,238 to assist with the debt payments on the Qualified Energy Conservation Bonds. The County believes the savings in utility costs will be high enough in future years that no further contribution from the fund will be necessary.
- Stabilization Fund (2570) is providing the General Fund with approximately \$40,000 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 \$1.92 million on four bond issues, and is contributing \$625,000 for General Fund operations.
- 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 2014 is \$2.2 million. Telecommunications is also contributing approximately \$150,000 per year for debt service requirements on the Fillmore/Grand Haven project, and as discussed earlier, \$92,000 in inmate phone commissions.

The Financing Tools play a major role in reducing our tax levy. The amount for 2014 equates to 0.7562 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 amount decreases in 2018 because 2017 was the last year of bond payments on the 2005 refunding issue. Other variances are due primarily from differences in capital purchases.

LEGISLATIVE ISSUES

Personal Property Tax Revenue Replacement: As mentioned previously, the legislation regarding the elimination of industrial and commercial personal property tax was incomplete in dealing with the process for administering the changes to the system, causing negative issues impacting local units of government. Additional legislation needed to help fix these negative impacts has currently been introduced in the Senate. Ottawa County is supporting the newly introduced bills.

Electronic Case Management: The County has implemented a Justice Imaging System, which automates the processing and transfer of court and legal documents. Nevertheless, the law still requires courts to keep physical files rather than allowing the electronic storage of documents. In order for counties to utilize the technology to its fullest extent several legislative changes must be made to existing statutes and court rules which currently do not allow the use of these types of technology. The County has been successful in obtaining legislative and administrative rule changes to allow the use of electronic seals, electronic signatures, and the utilization of electronic filing of documents such as court pleadings, motions, briefs, responses, orders, judgments, and notices. These changes have resulted in significant efficiencies and cost savings. Ottawa County has been involved in helping advance legislation (House Bill 4532) that would allow for the electronic storage of documents. If approved this legislation would save Ottawa County alone approximately \$750,000 per year.

Child Care Fund: Although there has been much discussion about the reengineering of the Child Care Fund (CCF) over the past year, the In Home Care programming continues to save the counties and the state significant dollars by developing community-based programs. Discussions on ways in which the CCF can be improved continue with a focus on data sharing, 75/25 split incentive dollars (current funding is 50/50), etc. Increased fiscal and program audits at a more comprehensive level have also been mandated by Department of Human Services (DHS) in an effort to eliminate ineligible costs and force improvements. There are a couple major concerns, however, which potentially threaten the budget:

1) State legislation proposes administrative rate per diems paid to private agencies be assumed by the counties/courts for FY 2014. This would raise the rate from \$37/day/child in private agency foster care to \$40. In FY 2013, the state approved this rate and held the counties harmless for the increase, but now, they are trying to propose the counties accept the increase. Juvenile Services anticipates this impacting the budget by \$80,000 to \$100,000 depending upon the number of agency foster placements. This increase has not been factored into the 2014 budget.

2) Currently, the courts/counties are mandated to pay administrative rates only for private agency supervised foster care placements. There is some significant discussion that legislation may be proposed to mandate the counties/courts pay an administrative rate for DHS supervised foster homes, as well. Although this would represent another unfunded mandate, it does not make sense for the counties/courts to be paying the state for salaries, fringes, etc., which is what administrative rates cover. Our local DHS has approximately 45% of all foster care placements under their supervision, and the anticipated fiscal impact could reach \$450,000 if this legislation were passed.

Indigent Defense: In July of 2013, the indigent defense bill was passed (Public Act 93 of 2013) and given immediate effect. The bill creates the Michigan Indigent Defense Commission

which will create standards to ensure statewide systems provide legal representation that meets constitutional requirements for effective assistance of counsel, gives the Michigan Supreme Court approval authority for any changes to the standards, and restructures the funding mechanisms to ensure programs are always adequately funded.

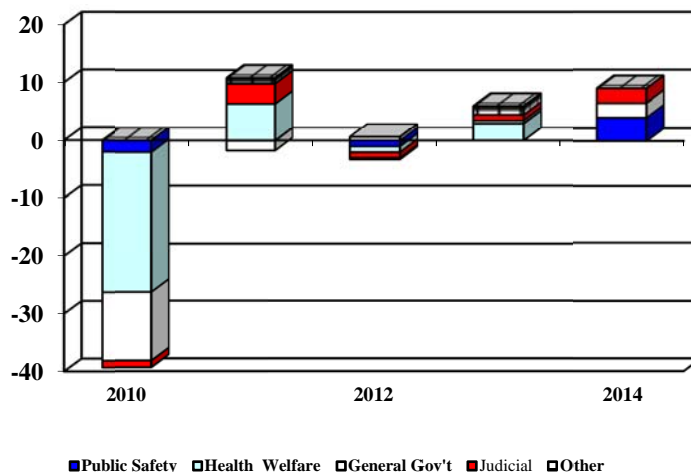
However, there is a lot of "set-up" work the State has to complete before there will be any direct impact on the County. Consequently, the County's judges recently adopted a revised court appointed counsel list for fiscal year 2014 and plan to maintain the status quo until further direction is received from the State. Until the State completes the set-up of the system, it is unclear what the financial impact to the County will be.

Tax Exempt Municipal Bonds: As the Obama Administration and Congress look for revenue to reduce the federal deficit and to fund federal programs, municipal bonds (debt) are being threatened. If the federal income tax exemption is eliminated or limited, states and local units of government will pay more to finance projects, leading to less infrastructure investment, fewer jobs, and greater burdens on citizens who will have to pay higher taxes and fees. Ottawa County is opposing this legislation.

PROGRAMMATIC ISSUES

Staffing Needs: Ottawa County, the eighth largest county in the State of Michigan, was also the fifth fastest growing county in the State in 2010 as well. The population has grown by more than 20,000 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 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. In light of the modest economic recovery, the County is adding nine full time equivalents in a variety of service areas, 2.5 of which are partially grant funded. The graphs that follow show the increase in total full time equivalents in the County for 2010 - 2014 added/subtracted through the annual budget process:

Positions Added by Function 2010-2014



Full time equivalents decreased in 2010 due mainly to the reorganization of Community Mental Health that was in process at the time of budget adoption. For the last few years,

Community Mental Health has added positions during the year as their reorganization plan was implemented.

Operational Efficiency: The County's Strategic Plan includes the objective to maintain system and programs of continuous improvement to gain efficiencies and improve effectiveness. In August of 2012, the County Administrator's office began implementation of the LEAN government plan, which is a customer-driven waste reduction program. Ottawa County will be partnering with Cascade Consulting Group to work with the Health Department and run process improvement events starting late 2013 and early 2014. The County plans to start rolling out daily improvement and creativity training to all staff in 2014. The 2014 budget includes a .7 full time equivalent to coordinate the process and additional funds for consultants and other costs.

The strategic plan also directs us to maintain and expand investments in the human resources of the organization by developing and maintaining an Ottawa County standard for internal and external customer services and training all employees on the standard. The "Ottawa Way" training has begun in 2013 and will be completed for existing employees in 2014. The County expects to spend \$30,500 in 2013 and an additional \$15,000 in 2014.

Communication: The County Strategic Plan directs the maintenance of a comprehensive communication. The reduction in publication days of key print newspapers in the area and the increasing presence and influence of social media communication have necessitated a more aggressive approach to communicating with the public. The 2014 budget includes a full time Marketing and Communications Manager with half charged to the Administrator's office and half to the Parks and Recreation department. The 2014 budget includes \$20,000 for the biennial citizen survey which will be the fifth in a series.

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.

Infrastructure

The demand for server and storage capacity continues to put pressure on the County's technical infrastructure to grow and evolve. The 2012 IT Study made recommendations that have been expanded into more detail through a follow-on analysis that provided detailed specifications and costs for capital investments in server, network and virtual desktop capabilities. These details have resulted in a reevaluation of our standard refresh and migration plans. In addition, the newly established Capital Improvement Plan process has provided a better perspective on the overall investments needed to keep the County's technology current over multiple years. Planned expenditures include new switches, server hosts and storage to support increased bandwidth, and increased virtualization for servers and desktop systems. Over \$639,000 is included in the 2014 budget for these upgrades.

Employee Technical Knowledge

The restructuring of the IT leadership group is underway and will be completed in 2013 resulting in a reduction in the number of team managerial positions from four to three. During 2013 and However, two new positions are included in the 2014 budget. The Plante Moran consultant study recommended the addition of a Network Administrator II position which will help IT be

more proactive in implementing and responding to issues, reducing the burden on Help Desk and other support staff. The 2014 budget also includes a Business Analyst II. This position is a “forward” looking, customer management position to learn the County’s business and make recommendations regarding technologies to assist them in their goals.

Applied Technology

The County will continue to invest in the software replacement of its Justice System with the MICA project. This software is funded under Consulting Services (Analysis and Design) and Contracted Services (Development). The planned 2014 investment to develop MICA is \$550,000. In 2014, the County plans to replace its long-serving Lotus Notes E-mail capability implemented in 1998 with a new e-mail system which needs to be determined. An upgrade of the OnBase (Enterprise Content Management (ECM)) system will be completed by installing the Unity Client. This capability provides increased features and flexibility for OnBase users and eases support requirements by changing from desktop thick clients to a thin client environment.

County Website

The County strategic plan includes continued improvement to the County website. The 2014 budget includes \$234,000 for maintenance and continued development of the County online service portal. The contracted development services include applications that support internal processes. An effort that will continue into 2014 is development of an expanded onboarding process for new hires as an extension of the online “job application” system. Since January 2013, the following online applications have been added to the County web site:

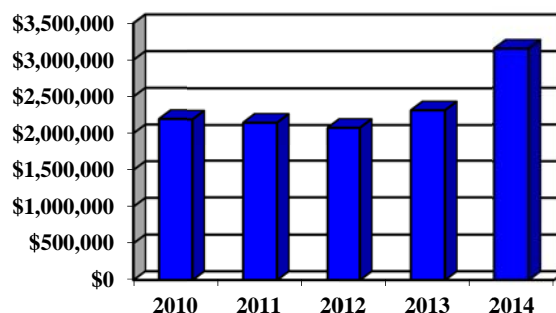
- Surplus Management
- Jury Duty Questionnaire
- Youth Assessment Survey
- Inmate visitation scheduling
- State Protector Statue Fund Raiser
- Dashboard Publishing Tool
- Bicycle Registration (Sheriff’s Office)

Scheduled for 2014:

- New Employee Processing (Onboarding) workflow
- Court Scheduling integration with MICA
- Health Management Portal/Intranet
- Enhancements to Campaign Finance Reporting, based on state requirements

In addition to the initiatives above, the 2014 Budget includes approximately \$2.3 million for other building, equipment and technology needs. The following graph shows the dollar amount of equipment added each year from 2010 to 2014 during the budget process:

History of Approved Equipment



BUDGET SUMMARY

The 2014 budget reflects the on-going implementation and refinement of the action plans addressed in the Ottawa County Strategic Plan. The fluctuations between the 2013 estimated and 2014 budgets are the result of the previous discussion. A comparison of the 2013 estimated and 2014 budgets follows.

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

Source	2013 Estimated Actual	2013 Percent of Total	2014 Proposed Budget	2014 Percent of Total	Percent Increase (Decrease)
Taxes	\$ 41,054,460	26.9%	\$ 42,186,217	28.8%	2.8%
Intergovernmental Revenue	71,632,995	47.1%	63,648,727	43.4%	-11.1%
Charges for Services	16,705,014	11.0%	15,380,690	10.5%	-7.9%
Fines and Forfeits	72,300	0.0%	84,200	0.1%	16.5%
Interest on Investments	438,675	0.3%	450,494	0.3%	2.7%
Rental Income	5,315,199	3.5%	5,305,200	3.6%	-0.2%
Licenses and Permits	1,200,890	0.8%	1,134,155	0.8%	-5.6%
Other Revenue	2,787,944	1.8%	1,953,071	1.3%	-29.9%
Operating Transfers In	11,331,273	7.4%	11,432,098	7.8%	0.9%
Bond Proceeds	5,505,000	3.6%	-	0.0%	-100.0%
Fund Balance					
Use/(Contribution)	(3,681,441)	-2.4%	5,049,434	3.4%	-237.2%
Total Revenues	\$ 152,362,309	100.0%	\$ 146,624,286	100.0%	-3.8%

Taxes serve as the primary revenue source for the General Fund, E-911, and Parks and Recreation Fund. The 2014 tax revenue budget includes levies for the following purposes:

<u>Millage for 2014 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. The County is estimating a 3% increase in taxable value in 2014. However, the E-911 and Parks tax revenue are based on the 2013 taxable value which increased by 1.44%.

Intergovernmental Revenue represents 43.4% of the Governmental funds revenue budget and is decreasing. Major fluctuations by fund/area follow:

Fund	Change over 2013
General Fund	\$626,579
Mental Health	\$1,087,838
Friend of the Court	\$342,318
Child Care Fund	\$327,464
Workforce Investment Act (WIA) Funds/ Community Action Agency/Weatherization	(\$10,694,590)
	<u>(\$8,310,391)</u>

In the General Fund, County Incentive Plan funding from the State and the Water Resources Study grant (\$398,000) account for the increase in revenue. Intergovernmental revenue in the Friend of the Court and the Child Care fund is increasing in tandem with expenditures. Grant funding pays a percentage of eligible expenditures. For Mental Health, the entire increase can be attributed to increases in Medicaid, primarily due to client counts and the new autism program.

In September of 2012, the Board approved a change in budgeting policy for Michigan Works! and Community Action Agency (CAA) funds in that these funds will not be part of the annual budget process. Instead, budget adjustments will be made as grant awards come in. The rationale for the change is:

- No County general fund dollars go to Michigan Works! or CAA; Michigan Works! and CAA revenue sources are primarily grants.
- Due to year-ends that are different than the County year-end, up to three separate budgets may be required in a year, taking up significant staff time.
- Once grants are established, a budget amendment would take place that creates a budget on that specific grant. This is done for other grants the County receives during the budget year.

Consequently, there is nothing included in the 2014 adopted budget for these funds.

Charges for Services revenue is 10.5% of total revenue for 2014 and is decreasing 7.9%. The main area of decrease is in the General Fund. Specifically, charges to departments for indirect administrative costs are decreasing by \$974,558. The first full year of occupancy at the new Ottawa County Courthouse in Grand Haven was in 2010. The previous facility was fully depreciated, so facilities charges for the departments that occupy the building (mainly the Courts) increased significantly. Indirect administrative costs were temporarily high over the last two years to reflect roll forward adjustments in the plan to accommodate these depreciation charges. 2014 is the last year that the roll forward adjustments should impact the revenue.

Licenses and Permits revenue is decreasing primarily due to decreases in the estimated number of Concealed Weapons Permits and Dog Licenses. Applications for Concealed Weapons

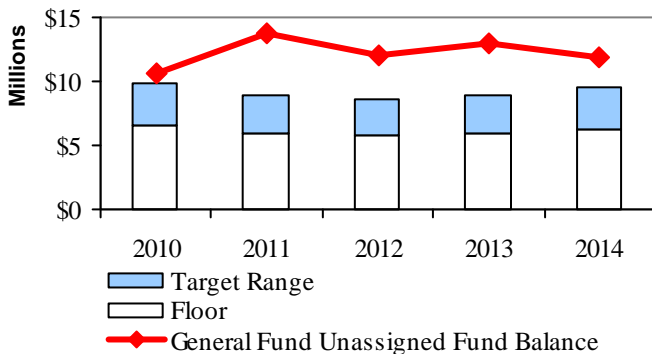
Permits increased after the school shooting in Newton, but the County believes this was a temporary increase. There was a spike in Dog Licenses in 2013 due to the door to door census.

Other Revenue is decreasing in the Mental Health fund due to the change from a partnership with Muskegon County (responsible for the 2013 amount) to the newly organized Lakeshore Regional Entity in 2014.

Bond Proceeds/Fund Balance: Fund balance usage is increasing overall due to a bond issue for capital improvements. Energy upgrades for County facilities, funded by issuance of Qualified Energy Conservation bonds in 2013, causes a \$3.2 million *contribution* to fund balance in 2013 and a \$2.6 million *usage* of fund balance. Fund balance in the General Fund is budgeted to decrease by \$1.2 million including the use of \$222,000 of restricted/committed/assigned fund balance. Both the Health fund and the Child Care fund are budgeted to each use \$200,000 of fund balance. The County does not anticipate that the General Fund, Health and Child Care funds will need to use unassigned/assigned fund balance due to historical variances in both revenue and expenditures. Despite budgeting expenditures over revenues of \$1 million for 2013, the County anticipates good results in 2013 for the following reasons:

- Higher Register of Deeds revenue due to high numbers of warranty deeds being recorded
- Delay of the Park West drain project (and the County share of costs) to 2014
- Unused contingency
- Vacancy savings in several funds
- Higher taxable value than originally anticipated

**General Fund Targeted and Actual
Unassigned Fund Balance**



It is important to note that the unassigned fund balance will be maintained at the level indicated by the County’s financial policies (10 - 15 percent of the actual expenditures of the most recently completed audit). The graph to the left 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	2013 Estimated Actual	2013 Percent of Total	2014 Proposed Budget	2014 Percent of Total	Percent Increase (Decrease)
Legislative	\$396,528	0.3%	\$438,145	0.3%	10.5%
Judicial	15,736,310	10.3%	15,566,323	10.6%	-1.1%
General Government	16,120,076	10.6%	16,881,590	11.5%	4.7%
Public Safety	30,942,651	20.3%	31,872,581	21.7%	3.0%
Public Works	1,101,648	0.7%	1,707,342	1.2%	55.0%
Health & Welfare	68,421,523	45.0%	58,788,408	40.2%	-14.1%
Culture & Recreation	3,995,364	2.6%	4,108,885	2.8%	2.8%
Community & Economic Development	793,486	0.5%	1,212,959	0.8%	52.9%
Other	130,386	0.1%	441,102	0.3%	238.3%
Capital Projects	2,346,103	1.5%	2,640,000	1.8%	12.5%
Debt Service	2,578,644	1.7%	3,121,863	2.1%	21.1%
Operating Transfers Out	9,799,590	6.4%	9,845,088	6.7%	0.5%
Total Expenditures	\$152,362,309	100.0%	\$146,624,286	100.0%	-3.8%

Legislative expenditures are increasing by 10.5% mainly due to the citizen phone survey that occurs every other year. Judicial expenditures are decreasing by 1.1% or \$170,000. As discussed under charges for services revenue, indirect cost charges are decreasing for occupants of the Grand Haven Courthouse (mostly judicial functions) because 2013 includes adjustments for prior years' depreciation. The 2014 charges for indirect administration in the judicial functions decreased in total by \$674,000. In addition, grant funding for the 9/30 Judicial Grants fund is down \$143,000 because funding has not yet been confirmed. These decreases were tempered by overall increases in other operational costs.

General Government expenditures are increasing 4.7 percent. In the General Fund, the Elections budget is \$228,000 higher since 2014 is an election year. The 2014 budget includes \$175,000 for new aerial maps; funding for the maps will come from committed fund balance. Charges for IT are also increasing by \$180,000 with the implementation of the Plante Moran study.

Public Safety expenditures, representing 21.7 percent of total expenditures, are increasing by 3.0 percent. Four additional Road Patrol Deputy positions were added for \$301,000 which was partially offset by an \$84,000 reduction in temporary employees and overtime. The Harbor Humane Society animal control agreement is increasing by \$53,000. The addition of Spring Lake Township to the sheriff contracts resulted in a \$114,000 increase. IT charges for Public Safety increase \$275,000 in connection with the implementation of the Plante Moran study. The remaining increases are normal, inflationary increases for operations.

Public Works expenditures are increasing by 1.2 percent. The 2014 budget includes an additional \$290,000 in the County share of drain assessments related to the Park West

construction. Expenditures are \$402,000 higher in connection with capital improvements in the Public Improvement fund which include a \$200,000 tower in Spring Lake.

Health and Welfare expenditures, representing 40.2 percent of total expenditures is decreasing by 14.1 percent. As discussed under intergovernmental revenue, the Board approved a change in budgeting policy for Michigan Works! and Community Action Agency (CAA) funds in that these funds will not be part of the annual budget process (\$10.7 million). However, Child Care Circuit Court budget is increasing by \$632,000 or 7.8 percent mainly due to vacant positions in 2013.

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 2013 capital outlay estimate is \$1.42 million and includes \$260,000 for the Grand River Open Space/Accessible project. In addition, \$200,000 is included for the Macatawa Greenway project. The 2014 capital outlay budget is \$1.38 million and includes \$900,000 for the Grand River Ravines Development.

Operating Transfers Out are increasing for the same reasons discussed under operating transfers in. The amount is slightly different due to funds having different year ends and the exclusion of proprietary funds on this schedule.

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.

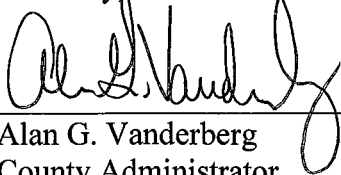
With financial forecasting and the creation of long-term financing tools, the County has positively impacted future financial decisions and the County's financial stability. These tools permit the County to reduce taxes to County residents, maintain the County's bond rating, and control costs to departments. 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 operational deficits the County is projecting over the next five years indicate more work remains, yet the projections have significantly improved since last year. Ottawa County also remains one of the fastest growing counties in Michigan, which increases the need for services to the public. One way to keep up with the increase in service requirements while still controlling on-going expenditures is through technology. The implementation of the Plante Moran study for Innovation and Technology is essential to help the County keep pace with technology in order to improve efficiency and to deliver quality services to the public in a cost effective manner.

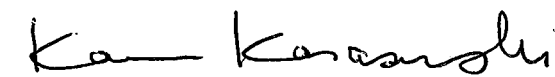
The 2014 budget continues to address the projected operational deficits with a balanced approach of increasing revenues, reducing expenditures, and using-one time dollars. The budget reflects the implementation of the County's strategic plan, long-range strategies, and an array of tools in balancing 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



Karen Karasinski, CPA
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, 2013. This was the eighteenth 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, 2013

Executive Director

2014 ORGANIZATIONAL CHART

