

# Readers' Guide

The primary purpose of this document is to provide citizens with a comprehensive overview of Kent County's adopted budget and operations. As such, the document outlines the process, policies, priorities and issues involved in developing the budget. The document provides an overview of the budget as a whole, followed by an in-depth look at County departments and programs and the funding associated with each.

The document is divided into the following seven major sections. *Each section, with the exception of the Readers' Guide and Appendix, is preceded by an introduction, which provides additional helpful information in reviewing the section.*

- A. The **READERS' GUIDE** serves to orient the reader. The section provides an overview of Kent County and its legislative structure, and outlines the process and policies that guide the development of the budget.
- B. The **BUDGET OVERVIEW** provides a summary of the adopted Kent County Budget. Included in this section is the Budget Message of the Administrator/Controller outlining the priorities, parameters, and issues involved in developing the budget, and other significant issues affecting the budget. The section contains a summary of funding sources and uses to provide an overview of the total resources required by the County for 2003 (actual), 2004 (adopted budget), and 2005 (adopted budget). The budget information is summarized in three different ways: by fund type and component unit, by category, and by functional area. The section includes a history of the County's beginning and end-of-year fund balance over the same three-year period. The section also provides a history of the County's personnel.
- C. The **FUND SUMMARIES** section provides a description and three-year history of each fund, summarized by fund type. The section also includes a detailed summary and history of the County's General Fund. The General Fund is used to account for all revenues and expenditure applicable to the general operations of the County except those required or determined to be more appropriately accounted for in another fund. Revenues are generated primarily from property taxes and intergovernmental sources.
- D. The **DEPARTMENT SUMMARIES** section contains an overview of County departments and programs. Each overview includes a description of the program or department, including a four-year history of uses and budgeted personnel and an explanation of significant budget issues. Mission statements, goals, and performance measures are also included for each County department. The department overviews are organized under seven functional areas: Cultural & Recreational, Enterprise, General Government, Health & Welfare, Judicial, Public Safety, and Other. The Capital functional area is reported in a separate section. The departmental and program uses for each functional area are summarized "At a Glance" at the beginning of each section.
- E. The **CAPITAL** section provides an overview of the Capital functional area, which includes expenditures related to Building Authority Construction and the Capital Improvement Program (CIP). The section provides program descriptions, discussion of any significant budget issues, and a four-year history of uses and budgeted personnel. The CIP description further provides a description of the annual CIP process, significant CIP policies and procedures, and a list of the 2005 CIP projects. The functional area is summarized "At a Glance" at the beginning of the section.
- F. The **REVENUE ASSUMPTIONS** section describes major revenue sources, offers an explanation of the underlying assumptions for the revenue estimates, and discusses significant revenue trends.
- G. The **APPENDIX** provides additional information related to the budget process, including the 2005 General Appropriations Act, and information about County debt, vacation and sick leave liabilities, and retirement system. Also included is a glossary to assist the reader.

# County Profile

## Overview

With a healthy economy, low taxes, affordable housing, and Midwestern hospitality, Kent County offers the best in both business and family location. Located in Western Michigan, Kent County is the fourth largest population center in Michigan. Covering 856 square miles, the County is home to 590,417 people. The County seat, Grand Rapids, has a population of 197,800 and is 150 miles west of Detroit; 180 miles northeast of Chicago; and 30 miles from Lake Michigan.

The greater Grand Rapids area forms the urban center of the County. Grand Rapids is known for being the home of the 38th President of the United States, Gerald R. Ford. "Grand Rapids is No. 1 for best overall business climate, according to a study by Anderson Economic Group." "In Entrepreneur magazine and Dun & Bradstreet's 8th Annual "Best Cities for Entrepreneurs" survey conducted in 2001, Grand Rapids area ranked 2nd amongst the top cities in the Midwest. In the top nationwide large cities category, Grand Rapids area ranked No. 24. Criteria included number of businesses that are five years old or younger, small business growth amongst businesses with 20 or fewer employees, economic growth over a three year period, and risk (cities with the lowest business failure rates)."



### *A Growing Community*

In terms of population, Kent County is the fourth largest county in the State of Michigan, and growing. According to the 2000 Census, Kent County had grown by 14.7 percent over the prior 10 years. The growth for the State of Michigan over the same period was 6.9 percent. Current projections indicate that the County's population will grow to an estimated 607,300 in 2010.



### *A Healthy Economy*

Kent County has a rich history of industry, including agriculture, furniture crafting, and automobile manufacturing. Located just a few hours from Detroit, Chicago, Cleveland, and Toledo, the County is within a day's drive of half the country's population, half its manufacturing base and nearly half its retail sales. Some of the major employers in Kent County include Spectrum Health, Meijer Inc., Steelcase Inc., Alticor Inc., and Foremost Insurance Group.



### *High Quality of Life*

Kent County offers a thriving arts community and a diverse range of entertainment options for every season. The County has over 50 parks, offering activities such as golfing, swimming, biking, roller blading, walking, cross country skiing, fishing, boating, camping, and a variety of playing fields. The award-winning 12,000 seat Van Andel Arena, located in Grand Rapids, is home to the Griffins hockey team and the Rampage arena football team, as well as major concerts and sporting events. Several academic institutions make their home in Kent County, including Aquinas College, Calvin College, Cornerstone University, Davenport University, Grand Rapids Community College, Grand Valley State University, ITT Technical Institute, Kendall College of Art and Design, and Western Michigan University.

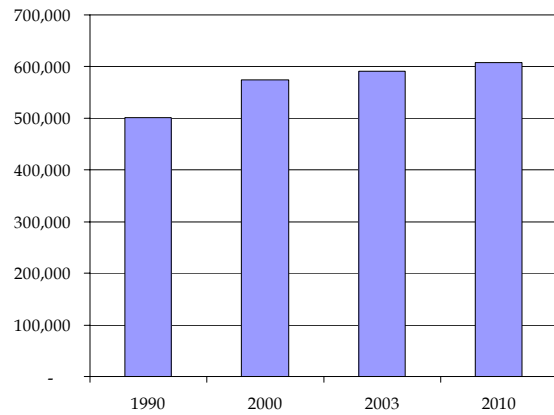
<b>Kent County/Michigan QuickFacts:</b>	<b>Kent County</b>	<b>Michigan</b>
<b>People</b>		
Population, 2003 estimate	590,417	10,079,985
Population, percent change, 4/2000 to 7/2003	2.8%	1.4%
Population, 2000	574,335	9,938,444
Population, percent change, 1990 to 2000	14.7%	6.9%
Persons under 5 years old, percent, 2000	7.8%	6.8%
Persons under 18 years old, percent, 2000	28.3%	26.1%
Persons 65 years old and over, percent, 2000	10.4%	12.3%
Female persons, percent, 2000	50.8%	51.0%
White persons, percent, 2000	83.1%	80.2%
Black persons, percent, 2000	8.9%	14.2%
American Indian and Alaskan Native persons, percent, 2000	0.5%	0.6%
Asian persons, percent, 2000	1.9%	1.8%
Native Hawaiian and Other Pacific Islander, percent, 2000	0.1%	<.005%
Persons reporting some other race, percent, 2000	3.3%	1.3%
Persons reporting two or more races, percent, 2000	2.2%	1.9%
Persons of Hispanic or Latino origin, percent, 2000	7.0%	3.3%
White persons, not of Hispanic/Latino origin, percent, 2000	80.3%	78.6%
Foreign born persons, percent, 2000	6.6%	5.3%
Language other than English spoken at home, percent age 5+, 2000	10.2%	8.4%
High school graduates, percent of persons age 25+, 2000	84.6%	83.4%
Bachelor's degree or higher, percent of persons age 25+, 2000	25.8%	21.8%
Persons with a disability, age 5+, 2000	85,304	1,711,231
Mean travel time to work (minutes), workers age 16+, 2000	20.7	24.1
Housing units, 2002	230,323	4,331,986
Homeownership rate, 2000	70.3%	73.8%
Housing units in multi-unit structures, percent, 2000	26.9%	18.8%
Median value of owner-occupied housing units, 2000	115,100	115,600
Households, 2000	212,890	3,785,661
Persons per household, 2000	2.64	2.56
Median household income, 1999	\$45,980	\$44,667
Per capita money income, 1999	\$21,629	\$22,168
<b>Business</b>		
Private nonfarm establishments with paid employees, 2001	15,428	236,711
Private nonfarm employment, 2001	333,135	4,008,572
Private nonfarm employment, percent change 2000-2001	0.80%	1.60%
Nonemployer establishments, 2000	32,090	526,958
Manufacturers shipments, 1997 (\$1,000)	14,765,533	214,900,655
Retail sales, 1997 (\$1,000)	6,491,770	93,706,078
Retail sales per capita, 1997	\$11,996	\$9,576
Minority-owned firms, percent of total, 1997	6.2%	7.6%
Women-owned firms, percent of total, 1997	26.5%	27.2%
Housing units authorized by building permits, 2002	3,663	49,968
Federal funds and grants, 2002 (\$1,000)	2,319,847	55,909,012
<b>Geography</b>		
Land area, 2000 (square miles)	856	56,804
Persons per square mile, 2000	670.8	175.0

Source: U.S. Census Bureau: State and County QuickFacts

## Population & Income Statistics

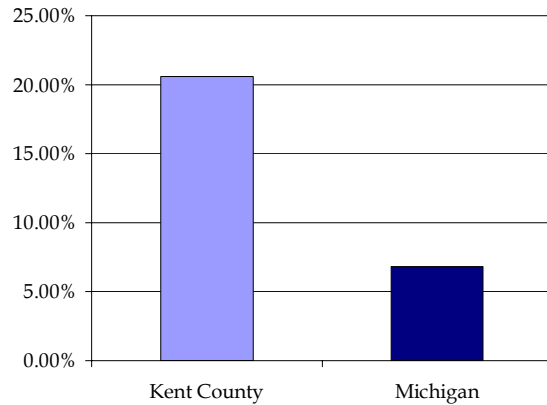
- Kent County grew by 14.7 percent from 1990 to a year 2000 population 574,355. The growth for the State of Michigan over the same period was 6.9 percent. Current projections show that the County's population will grow to an estimated 607,300 in 2010.
- The median age of Kent County residents is 34 years; 28.3 percent of the population is under the age of 18, and 10.4 percent are age 65 and older.
- Kent County is home to an ever-diversifying population. While approximately 80 percent of the population is white, the population for many minority groups, including black, Hispanic, and Asian, is growing.
- Among people who are at least five years old living in Kent County, 10.2 percent speak a language other than English at home.
- The median income of households in Kent County is \$45,980.

## Projected Change in Population 1990-2010



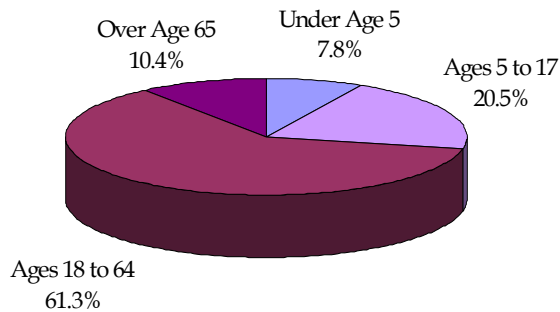
Source: Michigan Information Center

## Comparison of Projected Percent Change in Population, 2000-2020

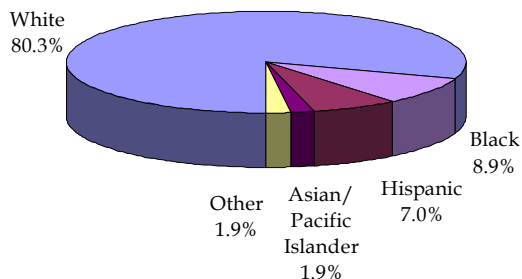


Source: Michigan Information Center

### 2000 Population by Age



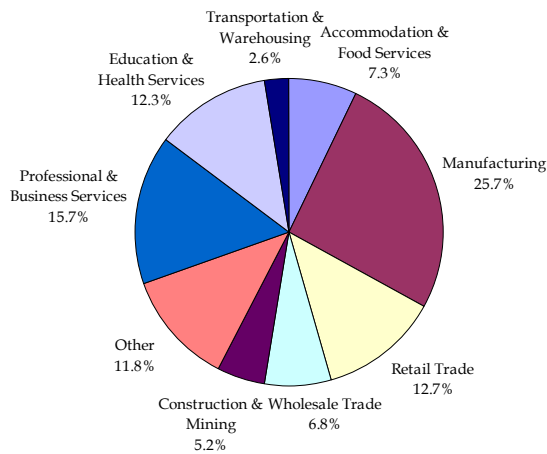
### 2000 Population by Race



## Employment Statistics

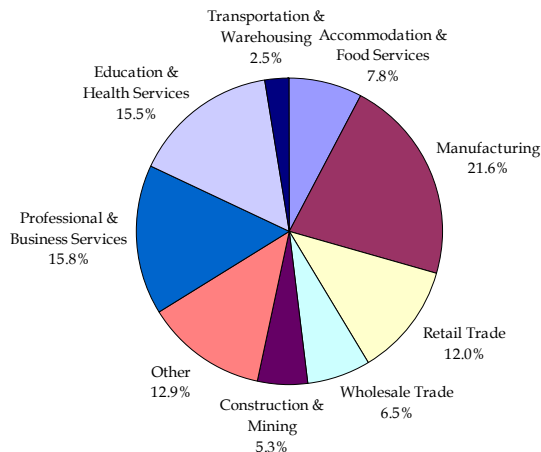
- Manufacturing in Kent County is on the decline. According to the Michigan Department of Labor and Economic Growth, manufacturing decreased from 25.7% of total employment in 2000 to 21.6% of total employment in 2003. To significantly offset this decline, Education & Health Services has increased from 12.3% of total employment in 2000 to 15.5% of total employment in 2003.
- Eighty-seven percent of Kent County workers drove to work alone in 2000, 8 percent took public transportation, and 2 percent used other means. The remaining 2 percent worked at home. For those who commuted, it took them an average of 21 minutes to get to work.

### Kent County Employment by Industry, 2000



Source: Michigan Department of Labor and Economic Growth

### Kent County Employment by Industry, 2003



Source: Michigan Department of Labor and Economic Growth

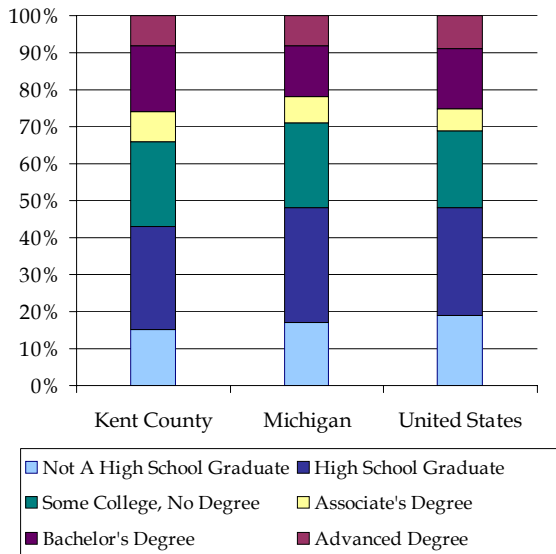
### Top Metropolitan Employers:

Spectrum Health	14,000
Meijer Inc.	9,785
Steelcase Inc.	5,400
Johnson Controls Interiors	5,000
Herman Miller Inc.	4,400
Spartan Stores	4,368
Alticor	4,000
Foremost Insurance Group	3,500
Grand Rapids Public Schools	3,490
Haworth Inc.	3,200
Magna Donnelly	3,000
Siemens Dematic	3,000
City of Grand Rapids	2,980
Fifth Third Bank	2,700
St. Mary's Mercy Medical Center	2,500
US Postal Service	2,500
Perrigo Company	2,450
General Motors	2,400
Grand Valley State University	2,222
Kent County	2,141
Mercy General Health	2,078
D & W Food Centers	2,000
Metropolitan Hospital	1,976
Gentex Corporation	1,943
Howmet Castings	1,940
Lacks Enterprises Inc.	1,886

## Education Statistics

- In 2000, 85 percent of people 25 years and over had at least graduated from high school. Twenty-six percent had a bachelor's degree or higher. Among people 18 to 24 years old, 25 percent were dropouts; they had not graduated from high school.
- The total school enrollment in Kent County was 165,304 in 2000. Pre-primary school enrollment was 20,690 and elementary or high school enrollment was 110,583 children. College enrollment was 34,031.

**Educational Attainment for Persons 25 years & Over, 2004**



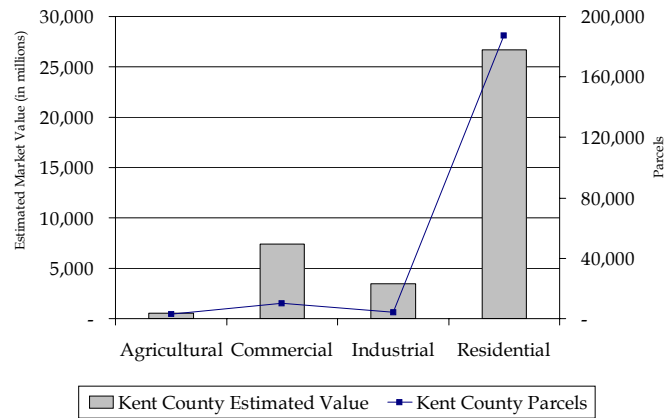
Source: US Census Bureau

## Housing Statistics

- In 2000, Kent County had a total of 224,000 housing units, 5 percent of which are vacant. Of the total housing units, 63 percent were in single-unit structures, 32 percent were in multiunit structures, and 5 percent were mobile homes. Eighteen percent of the housing units were built since 1990.
- Of the 212,890 occupied housing units in Kent County, 70 percent are owner occupied and 30 percent are renter occupied.

- The median monthly housing costs for mortgaged owners is \$956, for non-mortgaged owners \$280, and for renters \$554. Fifteen percent of owners with mortgages and 38 percent of renters in Kent County spent 30 percent or more of income on housing.

**Estimated Market Values of Real Estate by Land Use, 2004**



Source: County Equalization Report 2002 - Estimated Value

### Largest Taxable Values (TV):

Taxpayer	2004 TV	Percent of 2004 TV <sup>(1)</sup>
Steelcase, Inc.	\$242,707,850	1.3%
Altacor	165,299,804	0.9%
Consumers Energy	150,703,017	0.8%
General Motors	106,733,186	0.6%
Meijer/Goodwill/Seedling	89,254,661	0.5%
DTE Energy	63,553,345	0.3%
Fifth Third Bank	40,133,682	0.2%
Woodland Shopping Center	36,336,193	0.2%
Delphi	35,410,500	0.2%
General Growth Properties	32,696,433	0.2%
<b>Total</b>	<b>\$962,828,671</b>	<b>5.2%</b>

(1) Taxable Valuation used for calculation purposes totals \$18,595,422,046, which includes valuation on ad valorem and Industrial Facilities Tax Rolls

Source: County of Kent



### Duties of the Board of Commissioners:

- Approving a mission statement for the County;
- Adopting the annual County budget. This includes approving the annual budgets of other, independently elected, County officials: the County Clerk, the Drain Commissioner, Judges of the 17<sup>th</sup> Circuit Court and 63<sup>rd</sup> District Court, the Prosecutor, and the Treasurer;
- Raising the money to fund the County's operations by levying property taxes, setting fees, selling bonds or borrowing;
- Selecting a County Administrator/Controller to supervise the day-to-day operations of County departments;
- Determining the sites of County buildings, and purchasing or disposing of County-owned property and facilities;
- Representing the County, and managing its property and business by adopting rules, regulations, ordinances and policies; and
- Appointing citizen members to County boards, commissions, and committees, which provide oversight for significant County services.

### Kent County Board of Commissioners

The chief legislative and policy-making body of Kent County Government is the 19-member Board of Commissioners. Commissioners are elected to 2-year terms from districts that are roughly equal in population.

Regular meetings of the Board of Commissioners are open to the public and are held in the Board of Commissioners' Room on the third floor of the County Administration Building. Items that appear on the Board of Commissioners' agenda are usually first considered by one of two standing committees, the *Finance & Physical Resources Committee* and the *Legislative and Human Resources Committee*. Membership of the standing committees is composed of Commissioners, who are appointed by the Board Chair at the beginning of each new year.

The Board welcomes the public to express their ideas or concerns about issues affecting Kent County Government during meetings of the Board or its Standing Committees. A citizen may speak by approaching the podium and being recognized by the Board Chair during the "Public Comment" item on the meeting agenda.

### Other Elected Officials

The following officials are elected to four-year terms in the general presidential election.

The *County Clerk* manages County elections, serves as the Register of Deeds, manages vital County records, and serves as the Clerk of the Circuit Court.

The *County Treasurer* serves as the custodian of all County funds and is responsible for receipting, recording, and investing all money deposited in the County.

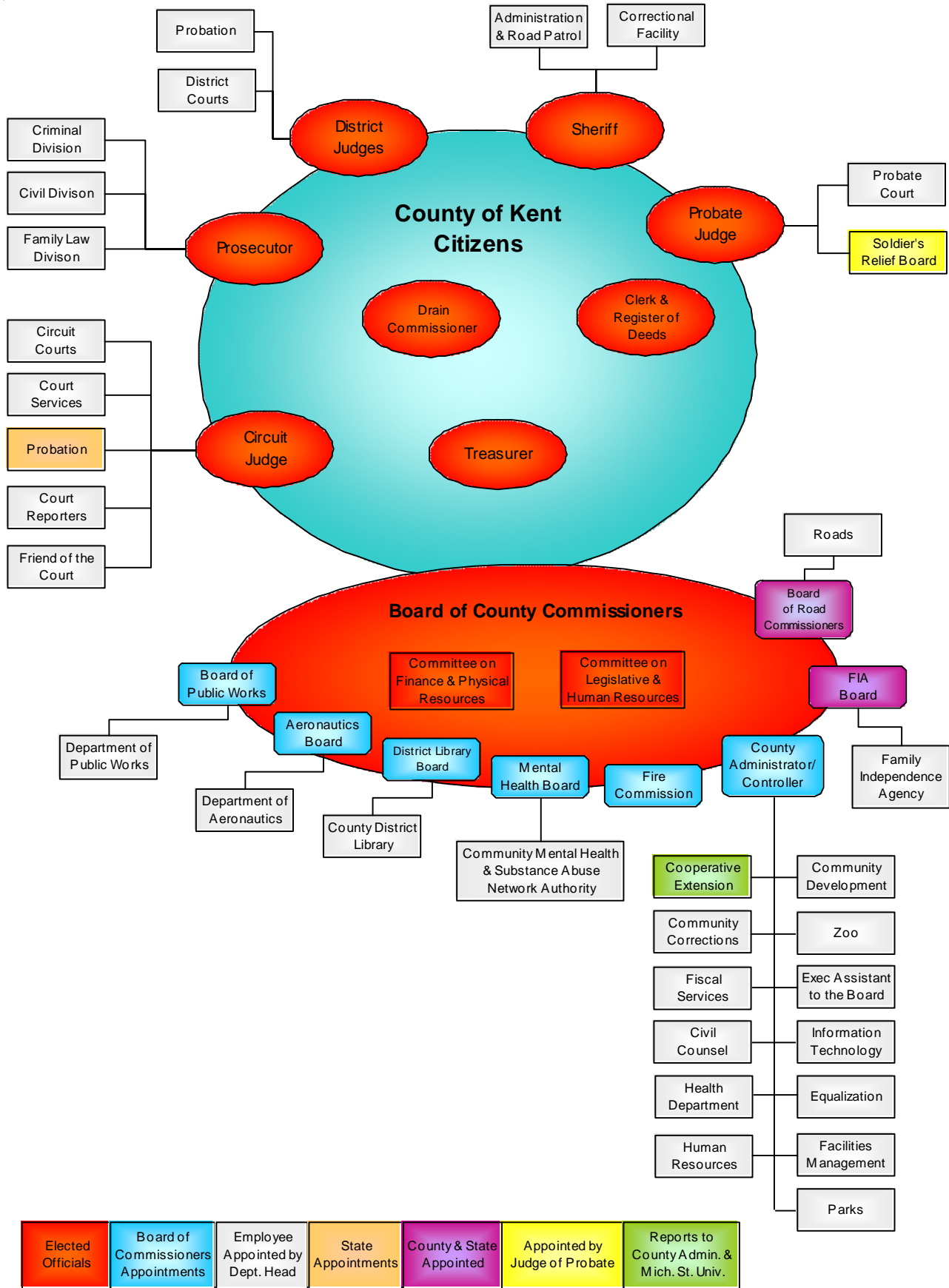
The *Drain Commissioner* administers the location, construction, and maintenance of drains and lake levels in the County.

The *Prosecuting Attorney* appears on behalf of the State or the County in proceedings brought before the Circuit Court, District Court, and Probate Court. The Prosecuting Attorney shares jurisdiction with the Michigan Attorney General for any crime committed in Kent County, but is independent of that state office.

The *Sheriff* oversees the provision of law enforcement and corrections programs and services to the community as mandated by Statute or dictated by the Board of Commissioners and the citizens of the County.

The voters of Kent County also elect *Circuit, District, and Probate Court Judges*.

# Kent County Organizational Structure



# The Budget Process

## Introduction

The Kent County Budget is a plan that annually directs the provision of County services and facilities. The annual budget represents the Kent County Board of Commissioners' commitment to provide quality services to its residents in a cost-effective and efficient manner within the boundaries of available resources. State statutes require that the annual budget be balanced with revenues/resources equaling or exceeding estimated expenditures. With the exception of a few funds, which account for programs funded on the State or another funding source's fiscal year, Kent County budgets on a calendar year basis. Adoption of the budget in September ensures that appropriations are in place for those departments budgeted on the State's fiscal year (September 30 year-end), as well as the County's calendar year.

## Budget Calendar

Feb	Administrator; Fiscal Services	Policy statement and economic forecast presented to department directors.
	Administrator; Finance Committee; Fiscal Services	Budget parameters/guidelines established.
	Human Resources	Distribute personnel request guidelines and forms to department directors and elected officials.*
Mar	Fiscal Services	Distribute budget development guidelines and forms to department directors and elected officials for CIP requests.
	Department Directors	Return completed personnel requests to Human Resources in accordance with guidelines.
Apr	Fiscal Services	Distribute budget development guidelines and forms to department directors and elected officials for operating budget
	Department Directors	Return completed CIP requests to Fiscal Services in accordance with guidelines.
	Administrator; Fiscal Services	CIP requests presented to the Finance Committee.
May	Department Directors	Return completed operating budget requests to Fiscal Services in accordance with guidelines.
Jun	Administrator; Fiscal Services	Operating budget requests presented to the Finance Committee.
	Administrator; Fiscal Services	Administrative CIP recommendations presented to the Finance Committee.
Jul	Administrator; Human Resources	Human Resources new personnel recommendations presented to the Legislative and Human Resources Committee.*
	Administrator; Human Resources; Legislative and Human Resources Committee	Human Resources and LHRC new personnel recommendations presented to the Finance Committee.
Aug	Administrator; Fiscal Services	Operating budget administrative recommendation presented to the Finance Committee.
	Board of Commissioners	Establish date for public hearing on budget and millage rates.
Sep	Administrator; Board of Commissioners	Public hearing on budget and millage rates.
	Board of Commissioners	Take action on the motion to adopt the proposed budget.

\* Because there was a moratorium on adding new positions that require a General Fund appropriation for the 2005 budget, there was no Personnel Review Committee for the 2005 budget process.

## **Budget Preparation**

Kent County involves a number of staff from throughout the organization to develop its budget. The Administrator/Controller annually appoints individuals from both administrative and nonadministrative departments to participate in budget review teams: Each committee has an objective set of criteria and evaluation process. Recommendations from these committees are reviewed with the Administrator/Controller and the appropriate standing committee of the Board prior to being included in the recommended budget presentation. The Capital Improvement Program Review Committee (CIPRC) reviews all requests for capital projects valued at \$25,000 and over. The Personnel Review Committee (PRC) reviews all new staffing requests. There is also an Operating Budget Review Committee (OBRC), consisting of individuals from the Administrator's Office and Fiscal Services Department which reviews all operating budget requests, and prepares the recommended budget in consultation with the Administrator/Controller.

During the month of February, the budget staff begins to brief the County Administrator/Controller and the Finance and Physical Resources Committee of the Board of Commissioners on the financial outlook for the upcoming fiscal year. Financial forecast assumptions are updated, analyzed, and discussed and their impact upon the upcoming budget is reviewed. The Finance and Physical Resources Committee, with assistance from the Administrator/Controller, determines a preliminary target for the total County Budget as well as any special concerns that should be emphasized in the preparation of the next budget, for example, the moratorium on new positions instituted. The Administrator's Office uses these decisions to develop the budget guidelines for the County departments. It is also during this month that the PRC issues its call letter for new positions to be requested as part of the budget process, if appropriate. The PRC process was not conducted for the 2005 budget due to a moratorium on new hires.

Throughout March, April and the first week of May, department directors prepare capital, personnel and operating budget requests based on these guidelines and an analysis of department needs and submit the requests to the Administrator's Office. The PRC and CIPRC complete their review process first, and forward their results to the OBRC.

In June, the OBRC begins meetings to review departmental operating budget requests. Additional information is requested, and if necessary, department directors meet with the OBRC. During the 2005 process, departments were instructed to reduce their requests to revised target levels. Throughout the summer, the Administrator/Controller provides regular briefings to the Finance and Physical Resources Committee on the budget development process. Fiscal Services staff, in conjunction with the OBRC and in consultation with the Administrator/Controller, compiles a proposed budget which is formally presented to the Finance and Physical Resources Committee in August.

In August, the Finance and Physical Resources Committee decides upon a specific level of total funding and the proposed level of property tax levy to support that budget, and recommends to the Board of Commissioners the millage rate for the coming year. The Board of Commissioners sets a public hearing date under the provisions of the Truth and Taxation and Uniform Budget laws of the State of Michigan.

## **Public Hearing**

The public hearing, typically set for the Board of Commissioners' first meeting in September, provides an opportunity for citizens to voice their opinion as to the appropriateness of the proposed budget and millage levy. A notice of the hearing is published not less than two weeks before it occurs in a newspaper of general circulation in the County.

## **Budget Approval and Amendment**

The Board of Commissioners, based on the input from the public hearing, instructs the Administrator's Office to make any appropriate amendments to the proposed budget. The Board of Commissioners then approves the budget at its second meeting in September.

After the final approval of the budget by the Board of Commissioners, only limited budget changes can be made. A department may transfer its allocated funds internally from one account to another only with administrative approval. The one exception to this policy is that funds in Salary Accounts may not be transferred to other operating accounts within the department's budget until the eleventh month of the budget. Funds cannot be moved from one department to another without formal approval by resolution of the Board of Commissioners upon recommendation of the Administrator's Office. Requests for additional appropriations for new programs or staff-

ing during the budget year require appropriate recommendation from the Administrator/Controller and approval by the Board of Commissioners.

The County Administrator/Controller shall provide the Finance Committee of the full Board, at the end of each fiscal quarter, a report of year to date revenues and expenditures compared to the budgeted amounts in the various funds of the County. Whenever it appears to the Kent County Administrator/Controller or the Kent County Board that the actual and probable revenues in any fund will be less than the estimated revenues upon which appropriations from such fund were based, or when it appears that expenditures will exceed an appropriation, the County Administrator/Controller shall present to the County Board recommendations to prevent expenditures from exceeding available revenues and reserves or appropriations for the budget year. Such recommendations may include proposals for reducing appropriations, increasing revenues or a combination thereof.

## Summary of Budget Policies

As revised and adopted by the Board of Commissioners  
July 24, 2003

### Accounting and Auditing

- Kent County will establish and maintain an accounting and fiscal reporting system that conforms with generally accepted accounting principles and standards, and annually file an audit in accordance with Public Act 2 of 1968. The County will maintain systems to monitor expenditures, revenues and financial performance.
- The Fiscal Services Department will ensure that an annual audit of all County funds is conducted by a certified public accounting firm and submitted to the Michigan Department of Treasury within 180 days of the year end. The annual audit, including the management letter, shall be submitted to the Finance and Physical Resources Committee within one month of its completion.
- The County will undertake a full-scale competitive process for the selection of an independent auditor at least every five years. The process should actively seek the participation of qualified firms with a local presence, including the current auditors, assuming that the past performance of the current auditors has proven satisfactory. Fiscal Services staff shall recommend to the Finance and Physical Resources Committee a proposed audit firm based on staff's evaluation of the auditor's ability to perform a quality audit. Price should not serve as the sole criterion for the selection of an independent auditor.

### Annual Budget

- The Office of the County Administrator/Controller will annually provide to the Finance and Physical Resources Committee a financial plan and budget document, containing an estimate of revenues and expenditures or expenses (operating and Capital Improvement Program), a summary position control list, and performance measurements. Budgeted expenditures will not exceed budgeted revenues and/or available fund balance.
- The annual budget process will consist of activities that encompass the development, implementation, and evaluation of a plan for the provision of services and capital assets. The final document shall include certain elements to reflect that process:
  - **Revenues and Expenditures/Expenses:** Estimates of revenues and expenditures adopted by the Board of Commissioners should be realistic, and based on facts and trends in evidence.
  - **Performance Budgeting:** In order to contribute to continuous improvement in accountability, efficiency and effectiveness of County operations, and to assist in identifying problems before they become unmanageable or too costly to control, the annual budget shall include the mission, goals and objectives of each department, division or agency, along with prioritized programs designed to achieve those goals and performance indicators to measure their efficiency or effectiveness, as appropriate.

- **Position Control Summary:** The annual budget shall include a listing of all County positions, including classification and pay scales, by department, agency and/or division. The Legislative and Human Resources Committee shall review the listing and make recommendations regarding the list to the Finance and Physical Resources Committee, which shall approve the list for inclusion in the recommended budget. Requests by departments and agencies of the County for additional personnel will only be considered as part of the budget submission and review process.
- **Capital Improvement Program Budget:** The annual budget shall include a Capital Improvement Program (CIP) Budget. The County Administrator/Controller shall provide a listing and make recommendations to the Finance and Physical Resources Committee, which shall review and recommend the list for inclusion in the recommended budget submitted to the Board of Commissioners for adoption. Only projects for the current year are appropriated funds in the CIP budget. Phased or multi-year projects must be reviewed annually for additional funding to be appropriated.
- Interfund budget transfers or transfers resulting in an increase in total departmental budgeted expenditures shall be reviewed and recommended by the Finance and Physical Resources Committee and approved by the Board of Commissioners before a commitment to expend the funds is made.
- Any additional revenue which requires increased appropriation must be approved by the Board of Commissioners prior to obligating any of these funds.

### Capital Improvement Program

- The Board of Commissioners requires all County capital improvements/replacement projects to be evaluated for funding within a framework of priorities and the financial capabilities of the County, and as part of a comprehensive budget process.
- The County will establish and maintain a Capital Improvement Fund to account for the acquisition or construction of major capital items not otherwise provided for in enterprise or trust funds. The County will annually deposit, to this fund, a not-less-than sum of monies equivalent to the revenues to be generated from .2 mills of the general property tax levy.
- Each department, office and agency of the County will annually submit a proposed list of its capital improvement needs for the next five fiscal years to the County Administrator/Controller's Office, according to a format and schedule developed by the County Administrator/Controller. Items submitted for consideration will be evaluated by a Capital Improvement Review Team which shall include, at a minimum, representatives of the Administrator's Office, Fiscal Services, Purchasing, Information Technology and Facilities Management.
- **Evaluation:** Items submitted for consideration will be rated according to established criteria. Items rated by the Review Team will be included in the proposed capital budget submitted to the Finance and Physical Resources Committee.
- **Annual Programming:** It is recognized that the County has limited resources and only a certain number of projects can be funded in any given year. Those projects that are not funded for a fiscal year, as determined by the Board of Commissioners, may be resubmitted for consideration in future years' CIP process.
- **Purchasing Procedures:** Projects included in the CIP must be acquired through the Purchasing Division and follow established County Purchasing Procedures.

### Debt

- Kent County endeavors to maintain the highest possible credit rating so borrowing costs are minimized and access to credit is preserved. Kent County will demonstrate to rating agencies, investment bankers, creditors, and taxpayers that a prescribed financial plan is being followed. As part of this commitment, the Fiscal Services Department will annually prepare an overview of the County's General Fund financial condition for distribution to rating agencies and other interested parties.

- Short-term borrowing to finance operating needs will not be used. Interim financing in anticipation of a definite, fixed source of revenue, such as property taxes; an authorized but unsold bond issue; or an awarded grant, is acceptable. Such tax, bond, or grant application note must mature within three years and may not be rolled over for a period greater than one year.
- The County Administrator/Controller shall evaluate each proposed financing package and its impact on the County's credit worthiness, and report the evaluation to the Finance and Physical Resources Committee.
- As part of the review process, the Finance and Physical Resources Committee shall review all aspects of the project and recommend to the Board of Commissioners the most appropriate structure of the debt. Options available include notes, installment contracts, industrial development bonds, general obligation bonds, limited tax general obligation bonds, and revenue bonds.

### **Fees and Charges**

- The County will assess fees and charges as allowed by federal or state law to provide prescribed levels of County services as determined by the Board of Commissioners or by federal or state mandates accepted by the Board.

### **Fund Balance/Fund Equity**

- The Board of Commissioners, by adoption of an annual budget, shall maintain adequate General Fund equity (reserves and designations) to provide for contingencies, for contingent liabilities not covered by the County's insurance programs, and to provide reasonable coverage for long-term Limited Tax General Obligation debt service. The County will annually designate in the General Fund an amount equal to 10 percent of the subsequent year's operating budget for emergency operating needs. The County will also designate an amount equal to 25 percent of the subsequent year's Limited-Tax General Obligation debt service.

### **Grants, Contracts, and Donations**

- When outside funding is to be solicited by means of responding to a request for proposal or other application process, the Board of Commissioners must approve the request prior to its submission. If application deadlines prohibit the request from being processed through the Board's committee structure prior to submission, the County Administrator/Controller may authorize the application be submitted to the funding source and forwarded to the appropriate standing committee of the Board, at the next available meeting.
- Departments and agencies should charge all eligible costs of a program as may be reasonably identified to the outside source. If there are circumstances that warrant the continuation of a program funded by a grant, or other outside funding source, consideration may be given to allocating general fund dollars. Requesting agencies and departments must prepare and provide a cost benefit analysis which shall include an analysis of programmatic necessity and an analysis of alternative funding sources, which may be presented to the appropriate standing committee(s) with a recommendation by the County Administrator/Controller.

### **Investments**

- Kent County will invest funds in a manner which will ensure the preservation of capital while providing the highest investment return with maximum security, meeting the daily cash flow demands of the County and conforming to all state statutes governing the investment of public funds.
- The County Treasurer is authorized to invest in all types of securities authorized by PA 20 of 1943 [MCLA 129.91], as amended, with the following exceptions: a) commercial paper must have a rating of not less than P1 from Moody's or A1 from Standard and Poor's; b) any mutual funds must have a per share value which is intended to maintain a net asset value of \$1.00 per share. The primary objectives, in priority order, of the County Treasurer's investment activities shall be:
  - *Safety*: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

- **Diversification:** To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The County Treasurer shall diversify investments by security type and institution. With exception of US Treasury Securities and authorized pools, no more than 25 percent of the total investment portfolio will be invested in a single security type or with a single financial institution.
  - **Liquidity:** The investment portfolio shall remain sufficiently liquid to enable the County Treasurer to meet all operating requirements which might be reasonably anticipated.
  - **Return on Investments:** The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow characteristic of the portfolio.
- The County Treasurer shall determine which securities will be held by a third party custodian. Securities held in safekeeping by a third party custodian shall be evidenced by a safekeeping receipt.
  - Investments shall be made with judgment and care under current circumstances, which persons of prudence, discretion, and intelligence shall exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. The County Treasurer shall provide, by April 1 annually, a report to the Board of Commissioners concerning the investment of County funds, and a signed certification that investment activities during the reporting period have conformed to the Investment Policy.

## The Basis for Budgeting

### Overview

The County's budget is a plan representing the Board of Commissioners' commitment to provide services to its residents in a cost-effective and efficient manner. The budget is prepared according to the Uniform Budgeting Act, Michigan Public Act 2 of 1968 and is consistent with the Budgeting Best Practices as identified by the Government Finance Officers Association. The basis for the County's accounting and budget is modified accrual.

Budgetary control is maintained at the activity (department) level. Control is further enhanced through an on-line integrated accounting/budgeting system that assures fiscal accountability through the establishment of more detailed line-item budgets. Outstanding encumbrances as of December 31 are reported as reservations of fund balance at that date.

The Road Commission and Fiduciary Funds are not provided for in this document and the County does not maintain budgetary control for these funds. However, financial information regarding these funds is available in the County's CAFR.

### Uniform Budgeting Act

The following is a summary of requirements necessary to be in compliance with the Uniform Budgeting Act, Michigan Public Act 621 of 1978.

1. All General, Special Revenue, and Debt Service Funds are required to be budgeted annually.
2. A public hearing must be held on the budget prior to adoption.
3. The budget must be balanced.
4. The budget must be amended when necessary.
5. Debt entered into must be permitted by law.
6. Expenditures must be equal to or less than the amount appropriated.
7. All expenditures must be authorized in the budget.