

Introduction to the Budget Overview

This section provides an overview of the Kent County Budget. It is intended to inform County citizens of the fiscal plans of the County Board of Commissioners and Administration for the coming year. The Budget Message from the Administrator/Controller, pages B-2 through B-10, outlines the key priorities, parameters, and issues involved in developing the Budget, and serves as an introduction and overview to the budget. Additional significant issues affecting the budget are outlined on pages B-11 through B-13.

Pages B-14 to B-18 present the combined total of all County funds and component units. Funds are classified by seven fund types: General Fund, Capital Improvement Funds, Debt Service Funds, Internal Service Fund, Component Unit Funds, Proprietary Funds, and Special Revenue Funds. This information is summarized in three ways:

- The Budget Summary by Fund on page B-14 summarizes sources and uses for the budget by fund type (i.e., General Fund, Capital Improvement Funds, Debt Service Funds, Internal Service Fund, Component Unit Funds, Proprietary Funds, and Special Revenue Funds). The Fund Balance History on page B-15 provides a three-year history of beginning and end-of-year balances for each of these funds.
- The Budget History by Functional Area on page B-16 summarizes sources by category and uses by functional area (i.e., Cultural & Recreational, Enterprise, General Government, Health & Welfare, Judicial, Public Safety, Other, and Capital,) for the years 2004 (actual), 2005 (adopted), and 2006 (adopted). County departments and programs are categorized by these same functional areas in the Department Summaries section.
- The Budget History by Category on page B-17 summarizes uses by category (i.e., Personnel, Commodities, Contractual Services, Operating Capital, Other, Capital Budget) for the same three-year period.

Page B-18 provides a five-year history of budgeted personnel by County department, organized by functional area.

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Budget Message



September 22, 2005

To the Honorable Board of Commissioners:

As the Chief Administrative and Financial Officer of the County, it is my pleasure to develop and present the *2006 Annual Budget* for review. This represents the eighth budget that I have presented to the Kent County Board of Commissioners. Not unlike the last several years, this has been one of the more difficult budgets to develop. But the elected officers, department directors, and judiciary have risen to the challenge and have done an exceptional job of holding the line on requests while diligently protecting the provision of services that Kent County is charged with providing. And while local governments and the state face significant financial constraints, Kent County continues to fare well in comparison, which continues to be a testament to the ability of the Board and all County departments to manage our finances in an appropriate manner. Care has been taken to preserve our General Fund reserves, as directed by the Finance & Physical Resources Committee. This has been done with significant attention given to expenditure control and, where possible, generating additional revenues.

As you know, the budget document is one of many tools used by the Board in its decision-making process. While the budget is by nature a fluid document—one that can change as emergent needs and circumstances dictate—it is also the single most important comprehensive policy statement about County priorities and programs that the Board makes on an annual basis.

The annual budget is used for a variety of reasons. First, it provides for *accountability*; it legitimizes public expenditures and accounts for use of public resources. Second, the budget document is a *planning tool*, used to outline how public resources are received and used. Third, and probably most important, the budget is an *information tool*, designed to communicate the funding priorities of the organization. Thus, the budget should be considered as a means to many ends, but not the end itself.

The 2006 Adopted Budget for both operating and capital needs has a gross expenditure requirement of \$329,395,373, which is a 0.9% increase over the 2005 Adopted Budget. The approved budget includes operating expenditures of \$325,511,300, and capital expenditures of \$3,884,073. Projected revenues and existing reserves will be adequate to cover the adopted appropriations.

Like its predecessors, this adopted budget embraces those principles that have made our organization fiscally strong. The adopted budget:

- Plans for expenditures that can be supported by current revenues and existing reserves;
- Provides sufficient funding to ensure that County facilities and equipment are properly maintained;
- Maintains services and programs to support the quality of life enjoyed by County residents; and
- Maintains a competitive comprehensive compensation and benefits package for our work force.

Like the previous two budgets, the 2006 Budget offers very little margin in terms of revenue projections and planned expenditures. For the third time in as many years, department directors were requested to provide several variations of their expenditure needs. Most departments were very thoughtful in their reviews and in the reductions that they proposed. Budget targets were provided and, if they couldn't be adhered to, justification was made as to the consequences of meeting the targets. I appreciate the responses to our current fiscal challenge that the department directors and their respective budget staffs made.

Budget Summary

Category	2005 Adopted	2006 Adopted
Personnel	\$ 124,749,653	\$ 129,951,700
Commodities	6,786,532	7,431,343
Contractuals	151,719,926	154,615,658
Operating Capital	4,085,706	3,916,888
Other	33,215,962	29,595,711
Total Operating	320,557,779	325,511,300
Capital	6,008,952	3,884,073
Total Budget	\$ 326,566,731	\$ 329,395,373

Budget In Brief

2006 Adopted Budget	\$ 329,395,373
2005 Adopted Budget	326,566,731
2006 Projected Revenues	\$ 344,648,905
2005 Projected Revenues	314,939,954
2006 Use of Fund Balances	\$ (15,253,532)
2005 Use of Fund Balances	11,626,777
2006 General Fund Adopted Budget	\$ 154,054,378
2005 General Fund Adopted Budget	147,913,566
2006 General Fund Projected Sources	\$ 152,509,386
2005 General Fund Adopted Sources	141,835,439
2006 Use of General Fund Balance	\$ 1,544,992
2005 Use of General Fund Balance	6,078,127

Key Dates

A public hearing on the budget and millage rates is necessary. The hearing was held in conjunction with the Board meeting on *Thursday, September 8, 2005, at 7:00 p.m.* The Board established the public hearing date at its meeting on August 25.

Following the hearing at the September 8 meeting, the Board adopted the millage rates for the December 1, 2005 tax levy. Formal adoption of the 2006 Budget took place at the September 22, Board meeting.

Summary of Issues

The following is a summary of the primary issues that have shaped the 2006 Budget.

Budget Parameters

In March 2005, the Finance & Physical Resources Committee adopted guidelines for the preparation of the 2006 Budget. These approved guidelines included wage/fringe benefit rate forecasts for personnel costs, commodities (or supplies), contract services, and Capital Improvement Process (CIP) expenditures.

Category	Parameter
General Fund Reserves	Not to exceed \$3.5 million
New Hires	No new hires
Commodities	Not to exceed 2005 level, unless appropriately justified
Contractual Services	Not to exceed 2005 level, unless appropriately justified
CIP Appropriation	Not to exceed 0.2 mills of the general operating levy

These parameters were emphasized to all department directors, elected officers, and the judiciary as part of the *Budget Call Letters*, which were issued in early spring.

The budget review teams conducted their work with the above parameters in mind. The Finance & Physical Resources Committee reviewed a variety of recommendations related to the Capital Improvement Program in June, and in July and August reviewed operating budget requests.

Millage Rates

Because no Headlee rollback is required, the approved operating millage for the December 1 tax levy is *2.8536 mills*, which is one-third reduced from the rate levied in December, 2004. The balance of property tax levy necessary to fund the 2006 Budget will be determined in June, 2006 and levied on July 1, 2006. In addition, the approved millage provides for debt service and operations of the correctional facility is *0.7893 mills* and *0.2444 mills* for senior services. Thus, the total approved millage rate for taxes levied in 2005, is *5.3140 mills*, which is the same as the 2004 millage rate.

Revenues

Taxes: The County's State Taxable Value (STV) continues to grow, which means the community continues to grow. And with increased growth, there are increased demands. The STV grew from \$18.015 billion in 2004 to \$19.044 billion in 2005, representing an increase of 5.7%. In addition, due to the State mandated tax levy shift, the General and Capital Improvement Funds will benefit from a one-time 3.9% supplemental increase in property tax revenues. This combination of tax levy adjustments will generate approximately \$82.6 million in general operating property tax revenue, which is a 9.5% increase over the 2005 amended general operating property tax revenue estimate of \$75.4 million. Taxes represent about 39.3% of the County's total revenue stream. The projection for all tax revenue totals \$135.3 million, and includes the designated millages for the Correctional Facility and Senior Services, as well as Industrial Facilities Exemption Certificate taxes, and the Lodging Excise Tax.

Intergovernmental Revenues: During the past three years, two sources of revenue have seen significant reductions: intergovernmental (primarily loss of revenue sharing) and interest on investments. In reference to the first source, intergovernmental revenues, the state has mandated that over a three year period, the County operating levy be moved from December to July. July 2005 represented the first summer tax levy in this transition period. While this provides Kent County with the "luxury" of knowing what our revenues will be for the next six-plus years, we are still left with a fair degree of uncertainty as to what will happen in 2011 and beyond. An interdepartmental work group (Budget and Finance Action Team) was created earlier this year and has been meeting on a regular basis to discuss issues related to both short- and long-term financing for County programs and services.

Interest Income: The 2006 General Fund Budget includes a revenue estimate of \$2.75 million for investment earnings. This represents an increase of \$200,000 over the current year forecast. Given the last several years' history of short term interest rate declines, this is a "safe" estimate. Short term interest rates have begun to move upward. In June 2004, the Treasurer earned 1.7% on his pooled investment account. By June 2005 that interest rate had increased to 3.0%. Assuming a continuation of increases in the short term interest rate market driven primarily by a Federal Reserve Board action, short term interest may begin to exceed 4.0% by January 2006. We will continue to monitor interest rate performance and adjust budgetary estimates as required.

Charges for Services: Charges for services, especially those levied by enterprise departments such as the Airport or Public Works, provide approximately 27.1% of the County's revenue. Also included in the adopted budget are proposed fee increases for the John Ball Zoological Garden and a new access fee for Millennium Park.

County Personnel

For the third consecutive year, the Finance & Physical Resources Committee concurred with Administration's recommendation to implement a moratorium on adding new positions that require a General Fund appropriation in the 2006 Budget, unless it could be demonstrated that the County would save money or if there were increases in revenues to accommodate the additional expenses associated with a new position.

This recommendation was based upon a variety of factors, including the County's financial situation as well as recognition that there has been significant growth in the employee population base since 1996. General Fund personnel costs represent 69.0% of the General Fund operating budget for 2006.

Capital Budget

Continuing as an integral part of the budget process is the five-year Capital Improvement Program (CIP) planning (2006 - 2010). The CIP consists mainly of one-time or non-recurring expenditures. The process calls for the Board to adopt the budget for 2006, using 2007 - 2010 as a barometer for future years' capital needs. Approximately \$15.3 million in CIP projects was requested by County departments and agencies. As was the case in previous years, not every request was recommended for funding. For 2006, it was recommended that \$3.1 million be appropriated for CIP projects (as identified/ itemized in the budget document), compared to \$6.0 million that was budgeted in 2005.

Funding for the CIP budget is identical to past years in that the two enterprise departments fund or borrow for their own capital projects, while other general capital projects utilize a combination of the 0.2 mill designation from general tax levy, grants, internal funds, and short- or long-term debt financing.

Funding for the approved projects for the 2006 CIP comes from the following sources:

Sources	Funding	
	2005 Adopted	2006 Adopted
Taxes (.2000 mills)	\$ 3,458,952	\$ 3,844,073
General Fund	-	-
Grants	2,600,000	40,000
Total	\$ 6,058,952	\$ 3,884,073

Bond Rating

While Kent County remains fiscally sound, and we continue to hold the coveted triple-A ratings from both Standard & Poor's and Moody's Investor Services', the past three fiscal years have resulted in significant reductions in personnel and expenditures due to cuts in program-specific state revenues, reductions in general revenue sharing, and reductions in interest earned on investments.

Thus, it continues to be important for the County to continue to exercise fiscally sound budgeting practices, which has been our historical practice. Again, most department directors have risen to the challenge and have thoughtfully reviewed and reduced their respective budget requests.

Other

Because of the impact of the property tax shift, this budget provides a mixed message. In the short term, annual operating deficits for the next several years are substantially reduced compared to what was projected and presented to you last year at this time. And while departments exercised considerable discipline in the development of their budget requests, the outcome of this budget did not result in as much pain as we anticipated. In the long term, however, the uncertainty of whether the state will restore revenue sharing in 2011 and the question of voter renewal of the correctional millage (which expires after the December 2009 tax levy) makes us cautious about the sustainability of funding and programs beyond 2011. It is obvious that we will have to continue to fund the correctional facility, but if the millage is not renewed, we will have to find approximately \$13.0 million from other General Fund sources.

In addition, there continues to be many substantive issues facing Kent County that will significantly affect finances during 2006 and beyond. These issues not only require a significant capital investment but also have long-term operational costs. In 2006, funds have been allocated in the operating and capital improvement budgets to continue addressing the following items:

- Continued property acquisition, staffing and operating costs associated with the operation, maintenance and security for Millennium Park. *As noted above, the proposed budget includes a line item for additional revenues (e.g., fees) with discussion related to additional revenues to take place in the near future;*
- Continued implementation of the Prevention initiative;
- The 2006 CIP Budget provides a \$400,000 appropriation to facilitate preliminary design and preparation of bid specifications for the Animal Shelter, Fleet Services Facility, boiler plant and roadway improvements at the Fuller Campus. It is anticipated that the County will undertake these projects, as a part of the 2007 Budget, at an estimated cost of \$10.0 million. Financing for this project will come either from undesignated reserves in the General Fund, the proceeds of a long-term bond issue, or a combination of these issues;
- The Lodging Excise Tax (Special Revenue Fund) currently finances debt service requirements related to the DeVos Place Convention Center, support of Convention Bureau activities, and matching funds for new exhibits at the John Ball Zoo. Operating deficits of \$1.5 million are expected both in the current fiscal year and as part of the 2006 Adopted Budget. Fund balance (reserves) is rapidly being depleted. Reductions in spending or general tax allocation subsidies will be considered during preparation of the 2007 Budget;
- The December 2005 tax levy will include a dedicated 0.2444 mills for the purpose of providing services to senior citizens in Kent County. This is the last year of levy for a dedicated millage, which was approved in 1998. The December 2005 tax levy will be utilized to support the 2006 Budget appropriation. Funding in Fiscal Years 2007 and thereafter will be wholly dependent on voter approval of a millage renewal proposal;
- The Revenue Sharing Reserve Fund was established as part of the 2004 Amended Budget. The 2006 Budget includes a scheduled transfer of \$10.7 million from this special revenue fund to the County's General Fund. This transfer is in lieu of the prior Revenue Sharing Program monies previously appropriated by the State. In the short-term (year ending December 31, 2006), the County will retain a year-end fund balance of approximating \$47.6 million. This balance will be drawn down over the next several years to supplement the County's general revenues in lieu of payments previously received under the State's Revenue Sharing Program. Monies held in this fund will be completely drawn down by midyear 2011. It is assumed that the State will begin funding of new revenue sharing payments at that time; and

- In February 2005, the County Board of Commissioners authorized participation, along with the Cities of Walker, Wyoming, and Grandville, in a comprehensive review of the current E-911 Central Dispatch Implementation Plan and presentation of findings to the Board of Commissioners which would allow for consideration of an August 2006 ballot proposal intended to seek approval of a dedicated millage levy to support same. While this current initiative did not require appropriation of additional funds as a part of the 2006 Budget, approval of such a proposal by voters in August 2006 would result in significant additional tax revenues in calendar year 2007 and appropriation of same to implement the Consolidated Emergency Dispatch Plan.

Compounding the above are the increased and often conflicting demands for limited resources. The adopted budget does not fund everything that was requested by departments. Thus, the budget can best be described as one of balancing departmental initiatives with available resources and Board-identified parameters and priorities. As requests continue to exceed resources, the Board must continue to determine the level of services it is required by law to provide and what additional services it wants and is able to provide. The *Mandated Services Study*, and continuous reference to it through Standing Committee Action Request forms, serves as one tool to assist the Board in this endeavor.

Summary of Major Operating Budget Changes

The 2006 General Fund departmental budget requests were reduced 1.5%, or \$2,361,153. Included in the all funds reduction is the elimination of a net 20.5 full-time equivalent positions from the 2006 Requested to the 2006 Adopted budget.

The following highlights departments and functions that have experienced some of the more significant changes in expenditures from the 2006 Requested Budget to the 2006 Adopted Budget:

Sheriff: The Sheriff's budget request was reduced 0.8%, or \$452,647. The components of this reduction include:

Administration & Road Patrol: Reduced 0.2%, or \$37,950 by eliminating \$217,694 for four vacant County Patrol Officer positions; and added two full-time equivalent positions, or \$179,744 by moving vice-unit detective and lieutenant from the Special Projects Fund to the General Fund.

On June 14, 2005, the Sheriff received a communication from the Michigan Department of Corrections concerning minimum staffing requirements at the Correctional Facility. In this communication the director of the department rescinded the prior directive which would have required the Sheriff to increase correctional officers staffing by nine full time positions. These vacant positions will be eliminated from the 2006 Budget resulting in an annual savings of \$364,697.

The 2004 CIP Budget included an allowance of \$365,500 for remodeling of the Work Release Facility, construction is currently under way and upon completion will add 82 beds of additional capacity. In addition, the approved 2006 CIP Budget provides for an additional \$69,480 of funding to convert 97 single occupancy cells at the Correctional Facility to double bunks. In total this will increase the capacity of the Correctional Facility, Honor Camp, and Work Release Annex from current 1,294 beds to 1,473 beds by (not later than) early calendar year 2006. There will be no additional staffing requirement to accommodate the increased capacity at the Correctional Facility. The Sheriff's 2006 budget includes funding for additional supervisory staffing at the expanded Work Release Annex. This additional supervisory staffing includes one lieutenant, and one sergeant at an annual cost of \$184,411.

Prosecutor: The Prosecutor's budget request was reduced 0.6%, or \$35,706 by eliminating three part-time Law Clerk Work Study positions (equivalent of two FTE positions).

Clerk's Office: The Clerk's budget request was reduced 2.7%, or \$57,729 by eliminating a Clerk II position in Vital Records.

In 2006, the County Clerk will be responsible for the conduct of primary/general elections for various State and National offices. The adopted 2006 Budget provides an additional \$270,000 for this activity.

Parks Department: The 2006 General Fund adopted budget includes funding for Park's Department operations. This departmental budget was previously accounted for in a separate special revenue fund. This separate account treatment is not mandated by law; therefore, the use of special revenue fund accounting has been eliminated. The total appropriation in support of Park activity is recommended at slightly less than \$4.8 million for the 2006 Budget. A financial analysis will be provided under separate cover to provide further explanation of this financial reporting consolidation.

Transfer Out - Health Department: The overall budget for the Health Department will decrease by approximately \$1.0 million from current year budget authorization to a request of \$24.0 million. State funding will decline by 15.0%, or \$1.23 million. The decrease in State revenue is the result of two primary factors. First, the Health Department's mutual agreement with Planned Parenthood Centers of West Michigan that the funding for family planning services (\$1.13 million) be awarded directly to Planned Parenthood and second, the Health Department will no longer be the fiduciary of HOPWA funding totaling \$190,801. Adjusting for these two items, State revenues remain consistent with current budget authorization. Included in the Health Department's budget is the elimination of 6.5 full-time equivalent positions from the 2006 Requested to the 2006 Adopted budget, five of which are now vacant.

Along with the reduction in overall funding, the Health Department recommends redistribution of existing monies among the following programs:

Increase

- Increase Clinical Services – WIC by \$595,000 (increase in caseload);
- Increase Substance Abuse Prevention by \$187,000 (71.0% increase);
- Establish an “Obesity” initiative with first year funding of \$344,000; and
- Increase Strong Beginnings (Spectrum grant) by \$83,000 (59.0% increase).

Decrease

- Reduce Bioterrorism by \$154,000 (State funding decrease);
- Reduce Immunization by \$333,000 (16.0% decrease; caseload decrease); and
- Eliminate Early Childhood Services (United Way grant ended) by \$202,000.

Over the last four fiscal years (2003 base versus 2006 recommended) general tax allocations have increased 24.0% (\$1.9 million). New initiatives, including Prevention Programming and People of Color, are responsible for \$500,000 of the additional funding. During the same time period, State grants have been reduced by 6.0% and funding from Network 180 (CMH) has decreased by 97.0%.

Transfer Out - DHS Social Welfare: The DHS Social Welfare budget request for General Fund subsidy was reduced 9.7%, or \$78,458. This was achieved by reducing discretionary funding.

Work Groups and Teams

During the last ten years, more than 60 employee work groups and teams have been established to provide recommendations on the many issues facing the County. Some of the work groups have been specific in nature with a limited function and timetable. Others have become “institutionalized” into the operations of the County. The employees who participate in work groups devote a significant amount of time and effort and provide invaluable assistance to help advance the mission of Kent County and will be recognized in early December for their efforts.

Board Goals

Since 1995, the Board of Commissioners and key administrative staff have met in four major priority and goal-setting sessions. A review of the major public policy and fiscal administration priorities identified during the 1995, 1997, 1998 and 1999 sessions can be summarized in four general statements. Kent County strives to:

- Be an effective steward of public funds using professional budgeting and fiscal management techniques and practices;
- Recruit, train, and develop (through education and training) a diverse and qualified work force;
- Communicate with the public and local units of government about the issues faced, services provided, and contributions to the quality of life made by the County; and
- Develop a communication and information infrastructure based upon sound technological innovation and investment.

These four principles are specifically designed to provide both mandated and discretionary services to the public in an efficient and effective manner. A strategic planning initiative is currently in process and will be completed in early 2006. The results of this initiative will reaffirm or modify existing philosophies, add new philosophies, and serve to direct staff in future years as we plan for programs and services. In the interim, the 2006 Budget reflects past principles and incorporates fiscal priorities previously identified by the Board. These goals include taking measures to:

- Preserve a strong financial position by
 - Maintaining the County’s favorable bond ratings;
 - Maintaining adequate reserves;
 - Maximizing revenues internally; and
 - Securing the County’s fair share of state and federal funds.
- Operate the Capital Improvement Program (CIP) effectively by
 - Evaluating it annually; and
 - Improving long-range planning.

Performance Measurements Review Team

Kelly Berendsen, Administrator's Office
Wayman Britt, Administrator's Office
Steve Duarte, Fiscal Services
Gail Glocheski, Human Resources
Craig Paull, Information Technology
Mary Swanson, Administrator's Office

CIP Review Committee

Jon Denhof, Purchasing
Dan Kendall, Public Works
Robert Mihos, Facilities Management
Craig Paull, Information Technology
Lloyd Pitsch, Sheriff's Department
Marvin Van Nortwick, Fiscal Services
Robert White, Fiscal Services

Operating Budget Review Committee

Wayman Britt, Administrator's Office
Donald Clack, Human Resources
Jim Day, Board of Commissioner's Office
Daryl Delabbio, Administrator's Office
Craig Paull, Information Technology
Mary Swanson, Administrator's Office
Marvin Van Nortwick, Fiscal Services
Robert White, Fiscal Services

This budget also continues to reflect the policy of the Board as identified in the County's *Fiscal Policies*, which is to maintain 10.0% of the subsequent year's operating budget in reserve. This level of fund balance is necessary to maintain and protect the County's outstanding bond ratings, which continues to be a high priority of the Board of Commissioners.

Conclusion

The budget is a policy statement by the Board of Commissioners to the citizens of Kent County. The budget provides information to the public on the funding priorities and programs that have been established. In this sense, the budget is also a plan. It provides a roadmap for departments, offices, and agencies to use in implementing the programs funded by the Board. And, like most plans, the budget can—and should—be a flexible document that is subject to change as needs emerge, more information becomes available, and priorities change.

The adopted budget, like its predecessors, embraces those principles that have made Kent County financially strong. The budget:

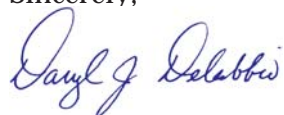
- Provides that current revenues are sufficient to support current operating expenditures;
- Protects the County's General Fund reserves;
- Provides sufficient maintenance and replacement dollars to ensure that County facilities are properly maintained;
- Requires no increase in the property tax rate; and
- Maintains those quality of life issues and programs to which our residents have become accustomed.

As we continue to adhere to a strong set of *Fiscal Policies*, continue our commitment to performance-based budgeting, and continue to emphasize to departments the importance of budgeting accurately, this process will continue to improve. This commitment will also allow the budget document to more accurately reflect and clearly communicate the priorities of the County as well as tie measurable outcomes to dollars expended.

Once again, I would like to thank all the departments, elected officers, and the judiciary for their cooperation and assistance in developing the *2006 Annual Budget*. Many people contributed to this effort and all should be proud of the results. In addition, I would like to express my appreciation to the CIP Review Committee, the Operating Budget Review Committee, the Performance Measurements Review Team, and the Finance & Physical Resources Committee, for their extensive work in the development of this document.

Finally, I would also like to commend the Fiscal Services staff for the tremendous amount of time and effort that was devoted to the preparation of this budget. The collective professionalism, diligent work, commitment to cooperation, and the good will and spirit of all participants made this document possible and the budget process an efficient and effective one.

Sincerely,



Daryl J. Delabbio
County Administrator/Controller

Significant Budget Issues

In keeping with its commitment to maintaining a financially strong and effective organization, Kent County continually assesses and monitors the potential financial impact of external circumstances, as well as that of internal policies and programs. The following are substantive issues, initiatives, and fiscal issues affecting County finances during 2006 and beyond.

State and Local Economic Forecasts

The national economic slow down since 2001 continues to affect the residents of Kent County, as well as Kent County revenues. The recession being experienced by durable goods manufacturers in West Michigan directly affects Kent County resources, slowing the rate of growth in property tax revenues, and reductions in State shared revenues. As a result, Kent County revenues are below expectations, and some State-funded programs have been eliminated or reduced. These reductions in revenues have contributed to the 2006 budget parameters, including continuation of a moratorium on adding new positions that require additional General Fund appropriation and requests to department directors to prepare budgets decreasing or maintaining overall expenditure limits while absorbing increases in personnel costs for health care and negotiated salary increases.

Revenue Sharing

As a result of its ongoing budget issues, the State of Michigan's FY 2005 budget "zeroed-out" County-revenue sharing. To provide replacement revenue, the State legislature enacted legislation (Michigan Public Act 357 of 2004) which changed the collection schedule for the County's general operating property tax from December to July. As a result, beginning with the 2005 summer tax levy, one-third of the County operating property tax levy was collected as a summer tax. In 2006, two-thirds of the operating tax levy will be collected in the summer. In 2007 (and thereafter), the entire operating tax levy will be collected in the summer. Winter tax bills will be reduced each year by the same amount. The funds that Kent County will collect over this three year time period will be placed in a special fund and drawn out in a manner similar to how the County would have received revenue sharing payments from the State. It is anticipated that the fund will provide Kent County with a steady, predictable revenue stream for the next 7.2 years (FY 2011), at which time the fund will be depleted. At that time, it is uncertain whether State revenue sharing will be reinstated resulting in approximately \$10 million in lost revenues annually once the fund is depleted.

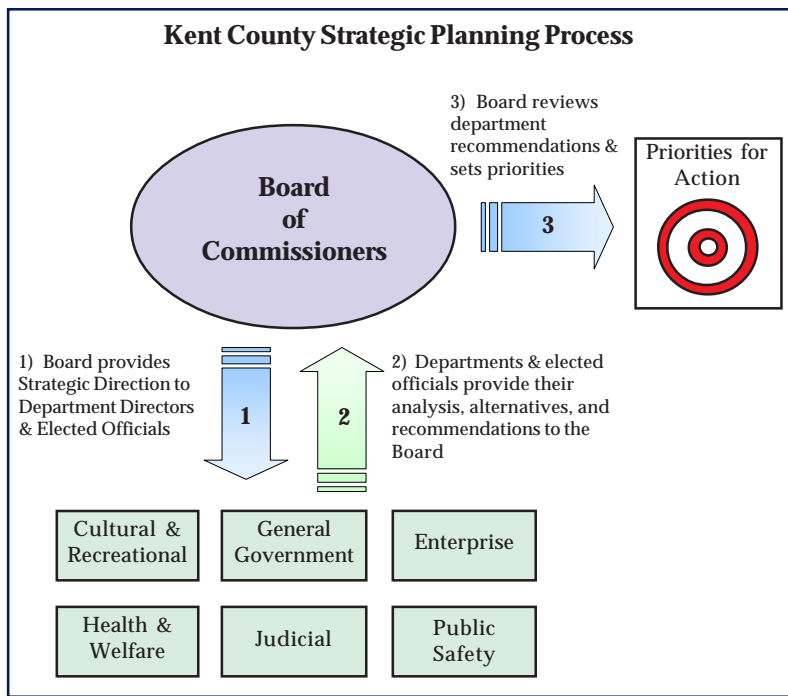
Strategic and Budget Planning

Economic forecasts and the State's activities relating to revenue sharing have required Kent County to more closely examine its operations, with an eye towards identifying efficiencies and establishing priorities. The economic situation, in addition to significant changeover in several senior staff, makes this an opportune time for the County to revisit its priorities and develop entity-wide goals. Planning efforts in 2006 will focus on two key areas:

- **Board of Commissioners Strategic Planning**

Strategic Planning for County departments and activities was forced to the back-burner in 2004, as the Administrator's Office addressed turn-over in several key staff positions. In light of the budget forecast however, it has become imperative that a system of identifying priority programs and services to be used during the development of the budget be conducted. A process by which to do this has been developed: Policy guidelines are given to Department Directors (grouped by functional area) who set functional area priorities within these guidelines. Functional area priorities are then brought back to the Board, which develops Countywide priorities and sends them back to the departments to be developed into objectives and monitored through performance measures. It is expected that the Board portion will be completed in early 2006.

- Budget and Finance Action Team**
 As discussed earlier, the accelerated property tax collection process gives the County a temporary “cushion” of seven years to deal with what is probably a recurring fiscal crisis. In anticipation of the loss of the revenue sharing funding stream, the Administrator/Controller has appointed a department-level staff work group to review issues related to the County’s fiscal condition and what will be necessary for the County to gain some funding stability over the long-term. The team has been directed to determine those issues which are cyclical as well as systemic or permanent, and develop strategies to address both. The end result will be some short- and long-term recommendations for the Board of Commissioners to consider.



Other Major Board Initiatives and Issues

- Correctional Facility Capacity and Funding**
 The County Administrator has created a staff work group to review the immediate, mid-term, and long-term issues and needs of the Correctional Facility and the Correctional Facility millage (0.7893 mills; scheduled to expire in December 2009). The work group will be looking at the issue on both a macro (correction and detention facilities, alternatives to incarceration, etc.) and a micro (estimated capital and operational costs for an addition to the jail) level and making a recommendation by the beginning of 2006. The work group has already met on several occasions and has divided into sub-groups to research a number of issues.
- Decentralization of Facilities and Services**
 In 2004, Kent County Facilities Management completed an update of its 1999 Building and Space Needs Plan. The report identifies key County service and delivery issues that may have an impact on facilities and the County’s ability to support them. The plan provides a framework for the County to align and deliver services in the most effective and efficient way possible. Implementation of the Plan has been passed on to a task force consisting of Commissioners and staff. Work will continue in 2006, with the task force investigating the possibility of combining County functions in three specific areas of the County: north, south, and east. This would include the potential for combining Health Department clinics, human services offices, Sheriff substations/precincts, and possibly the 63rd District Court. County staff is also working with members of the community to realign health and human services to better support student achievement. Using GIS data, this project will look at the primary human services program providers within the County, the geographic location of their clients—including their school district—and their service delivery systems, and make recommendations aimed at better coordinated and more efficient services. This process will result in a wealth of data that should be useful in a variety of ways for all the participating organizations.

- ***911 Central Dispatch***

In 2004, the Board of Commissioners received a report developed by several committees that have been studying the issue of central 911 dispatch for more than two years. The report recommended that the County pursue a system that will reduce the number of primary service answering points (PSAPs) from six to two with funding to come from a property tax millage levy of 0.55 mills. County staff was asked to evaluate the report and make recommendations. Due to the nature of the recommendations, coupled with the real possibility that any millage question will not be viewed favorably, County staff made a recommendation that consideration be given to the creation of an authority with the four municipalities (Wyoming, Walker, Grandville, and Kent County) jointly funding the hiring of a project manager to devote the time necessary to developing a detailed plan for implementation, including funding recommendations that consider not only a millage question, but the potential for a telephone surcharge, developing cost-sharing recommendations with the City of Grand Rapids, and reviewing the State's 911 system. It is anticipated that this "Interim Project Plan" will be completed in early 2006 with a final report and recommendation for action to the Board.

- ***Prevention Initiative***

In 2002, the Board of Commissioners appropriated funding for an innovative initiative to fund and evaluate services to reduce the prevalence of costly and destructive social and health problems. The County originally appropriated \$2 million to expand services in three priority areas: primary prevention family support services for parents of children ages birth to five; early intervention for children at risk of abuse or neglect; and substance abuse services focusing on the entire family, as well as an evaluation component to measure the long-term (15 - 20 years) effectiveness of the funded programming. While funding has been, along with other services, reduced slightly as a result of budget constraints, the County continues to provide funds to private, non-profit service providers to deliver and measure the effectiveness of its programs.

- ***Millennium Park***

In its second full season, the Millennium Park has continued to earn rave reviews from the community, with attendance averaging 10,000 visitors on weekends, and even 5,000 on weekdays. The number of visitors consistently exceeded expectations. To date, the County has purchased 65 parcels totaling 1,241 acres. Acquisition efforts have slowed as the County targeted properties in a strategic fashion to emphasize the synergies and efficient development of the project. In addition, to protect our investment and meet due care obligations to protect the health and safety of Park users, the County is proactively addressing environmental concerns to ensure appropriate cleanup actions are taken. By seeking to identify potentially responsible parties to contribute to the cleanup and by seeking state or federal funding to supplement the remedial process, the County is leveraging all available resources in this process.

- ***DeVos Place***

The County is a major partner in the Convention/Arena Authority and the major contributor of funds for the DeVos Place Convention Center, the initial major phase of which was completed in November 2003. The project was fully completed in February 2005. Kent County has contributed \$92 million in Hotel/Motel tax funds toward the \$220 million project. In addition, the County, along with the City of Grand Rapids, the State of Michigan, and representatives of the private sector, has representation on the seven-member Convention/Arena Authority which owns and oversees the operation of the DeVos Place Convention Center and Van Andel Arena.

2006 All Funds Budget Summary

by Fund Type

	Governmental Fund Type						Proprietary	Total
	General	Special Revenue	Debt Service	Capital Project	Internal Service	Component Unit		
Revenues By Category								
Taxes	\$80,302,273	\$48,535,970	\$ -	\$ 3,844,073	\$ -	\$ -	\$ 2,595,000	\$135,277,316
Licenses and permits	93,035	1,370,300	-	-	-	-	-	1,463,335
Intergovernmental	11,822,442	34,162,783	-	40,000	-	8,077,930	4,200,000	58,303,155
Charges for services	20,495,115	3,156,062	-	-	1,905,000	48,507,131	19,269,112	93,332,420
Fines and forfeitures	301,000	571,609	-	-	-	-	8,000	880,609
Investment earnings	2,750,000	1,439,175	500	500,000	106,530	715,000	1,009,500	6,520,705
Reimbursements	8,632,640	4,007,749	-	-	18,859,966	510,570	190,000	32,200,925
Other	3,548,396	452,575	109,250	-	25,000	1,261,698	11,273,521	16,670,440
Total Revenues	127,944,901	93,696,223	109,750	4,384,073	20,896,496	59,072,329	38,545,133	344,648,905
Expenditures By Function								
General government	29,944,288	3,890,265	6,767,296	-	20,873,966	3,562,080	1,621,500	66,659,395
Public safety	54,268,325	1,402,401	-	-	-	-	-	55,670,726
Judicial	25,610,508	12,369,338	-	-	-	-	-	37,979,846
Cultural and recreation	9,319,940	6,166,175	-	-	-	-	-	15,486,115
Health and welfare	3,091,748	60,323,991	-	-	-	4,125,537	-	67,541,276
Enterprise activities	-	-	-	-	-	52,014,679	34,888,633	86,903,312
Other	1,370,630	-	-	-	-	-	-	1,370,630
Appropriation Lapse	(6,100,000)	-	-	-	-	-	-	(6,100,000)
Capital	-	-	-	3,884,073	-	-	-	3,884,073
Total Expenditures	117,505,439	84,152,170	6,767,296	3,884,073	20,873,966	59,702,296	36,510,133	329,395,373
Other Financing Sources (Uses)								
Transfers in	24,564,485	29,410,266	6,727,546	-	-	729,967	-	61,432,264
Transfers out	(36,548,939)	(22,054,530)	-	-	-	-	(2,828,795)	(61,432,264)
Total Other Fin Sources (Uses)	(11,984,454)	7,355,736	6,727,546	-	-	729,967	(2,828,795)	-
Net Inc (Dec) in Fund Balances	\$ (1,544,992)	\$16,899,789	\$ 70,000	\$ 500,000	\$ 22,530	\$ 100,000	\$ (793,795)	\$ 15,253,532



All Funds History of Fund Balances

By Fund Type

Government Fund Type	FY 2004	FY 2005	FY 2006 Adopted		
	Fund Bal	Est Fund Bal	Sources	Uses	Fund Bal
General Fund	\$ 77,650,226	\$ 76,070,226	\$152,509,386	\$154,054,378	\$ 74,525,234
Fire Prevention	367,849	230,649	283,200	358,328	155,521
Parks	376,949	270,649	6,075	-	276,724
Friend of the Court	319,432	319,432	8,191,452	8,191,452	319,432
Health	1,041,215	1,041,215	23,985,910	23,985,910	1,041,215
Lodging Excise Tax	5,702,123	4,195,073	4,737,800	6,166,175	2,766,698
Correction and Detention	4,893,865	13,665	14,972,070	11,318,840	3,666,895
Senior Millage	979,904	869,604	4,533,000	5,047,207	355,397
Register of Deeds Automation	58,128	143,728	755,000	702,116	196,612
Community Development	-	-	2,755,420	2,755,420	-
State Revenue Sharing Reserve	18,022,891	32,604,891	25,702,000	10,735,690	47,571,201
Child Care	357,290	357,290	21,674,786	21,674,786	357,290
DHS Child Care	18,784	18,784	9,582,006	9,582,006	18,784
Veteran's Trust	4,149	7,049	30,582	30,582	7,049
Special Project Calendar Year	387,471	433,060	1,165,688	926,688	672,060
Special Project Fiscal Year	199,106	360,228	4,731,500	4,731,500	360,228
Special Revenue Funds	32,729,157	40,865,318	123,106,489	106,206,700	57,765,107
Debt Service	7	5,307	962,170	962,170	5,307
Building Auth Debt Service	68,522	41,522	5,875,126	5,805,126	111,522
Debt Service Fund	68,529	46,829	6,837,296	6,767,296	116,829
Capital Improvement Program	15,023,501	12,611,501	4,384,073	3,884,073	13,111,501
Bond Capital Improvement	4,882,654	134,154	-	-	134,154
Building Auth Construction	1,573,326	1,582,326	-	-	1,582,326
Capital Project Funds	21,479,481	14,327,981	4,384,073	3,884,073	14,827,981
Internal Service Fund	3,313,853	3,172,953	20,896,496	20,873,966	3,195,483
Public Works	38,678,859	44,979,859	52,014,679	52,014,679	44,979,859
Social Welfare	(75,844)	(75,844)	4,225,537	4,125,537	24,156
Housing Commission	70,127	70,127	3,562,080	3,562,080	70,127
Component Unit Funds	38,673,142	44,974,142	59,802,296	59,702,296	45,074,142
Aeronautics	161,296,958	166,813,958	34,888,633	34,888,633	166,813,958
Delinquent Tax Revolving	10,159,361	10,000,361	3,656,500	4,450,295	9,206,566
Proprietary Funds	171,456,319	176,814,319	38,545,133	39,338,928	176,020,524
Total	\$345,370,708	\$ 356,271,769	\$406,081,169	\$390,827,637	\$371,525,301

All Funds Budget History

by Functional Area

	FY 2004		FY 2005		FY 2006		
	Audited	Percent	Adopted	Percent	Requested	Adopted	Percent
Revenues By Category							
Taxes	\$121,373,558	35.9%	\$100,315,549	31.9%	\$135,277,316	\$135,277,316	39.3%
Licenses and permits	1,474,125	0.4%	1,477,216	0.5%	1,461,535	1,463,335	0.4%
Intergovernmental	60,944,868	18.0%	65,818,565	20.9%	59,637,065	58,303,155	16.9%
Charges for services	86,626,404	25.7%	86,893,459	27.6%	93,335,420	93,332,420	27.1%
Fines and forfeitures	624,700	0.2%	1,233,121	0.4%	880,609	880,609	0.3%
Investment earnings	4,809,896	1.4%	4,855,840	1.5%	6,020,705	6,520,705	1.9%
Reimbursements	28,058,043	8.3%	32,460,062	10.3%	32,363,596	32,200,925	9.3%
Other	33,789,359	10.0%	21,886,142	6.9%	16,675,440	16,670,440	4.8%
Total revenues	337,700,952	100.0%	314,939,954	100.0%	345,651,686	344,648,905	100.0%
Expenditures By Function							
General government	66,204,755	20.6%	69,714,540	21.3%	67,287,988	66,659,395	20.2%
Public safety	50,694,551	15.8%	54,339,698	16.6%	56,303,650	55,670,726	16.9%
Judicial	35,995,097	11.2%	38,149,971	11.7%	38,200,290	37,979,846	11.5%
Cultural and recreation	15,080,651	4.7%	15,529,268	4.8%	15,186,115	15,486,115	4.7%
Health and welfare	61,528,326	19.1%	64,715,749	19.8%	70,158,827	67,541,276	20.5%
Enterprise activities	74,316,044	23.1%	81,259,012	24.9%	86,903,312	86,903,312	26.4%
Other	1,480,403	0.5%	1,422,641	0.4%	1,395,330	1,370,630	0.4%
Appropriation lapse	-	0.0%	(4,573,100)	-1.4%	(6,100,000)	(6,100,000)	-1.9%
Operating Expenditures	305,299,827	95.0%	320,557,779	98.2%	329,335,512	325,511,300	98.8%
Capital	16,236,433	5.0%	6,008,952	1.8%	15,256,382	3,884,073	1.2%
Total Expenditures	321,536,261	100.0%	326,566,731	100.0%	344,591,894	329,395,373	100.0%
Other Fin Sources (Uses)							
Transfers in	63,028,761		51,464,514		62,635,285	61,432,264	
Transfers out	(67,001,301)		(51,464,514)		(62,635,285)	(61,432,264)	
Total Other Fin Sources (Uses)	(3,972,541)		-		-	-	
Net Inc (Dec) in Fund Balances	\$ 12,192,151		\$ (11,626,777)		\$ 1,059,792	\$ 15,253,532	

See page B-15 for estimated fund balances for each fund type.



All Funds Budget History

by Category

	FY 2004		FY 2005		FY 2006		
	Audited	Percent	Adopted	Percent	Requested	Adopted	Percent
Revenues By Category							
Taxes	\$121,373,558	35.9%	\$100,315,549	31.9%	\$135,277,316	\$135,277,316	39.3%
Licenses & permits	1,474,125	0.4%	1,477,216	0.5%	1,461,535	1,463,335	0.4%
Intergovernmental	60,944,868	18.0%	65,818,565	20.9%	59,637,065	58,303,155	16.9%
Charges for services	86,626,404	25.7%	86,893,459	27.6%	93,335,420	93,332,420	27.1%
Fines & forfeitures	624,700	0.2%	1,233,121	0.4%	880,609	880,609	0.3%
Investment earnings	4,809,896	1.4%	4,855,840	1.5%	6,020,705	6,520,705	1.9%
Reimbursements	28,058,043	8.3%	32,460,062	10.3%	32,363,596	32,200,925	9.3%
Other	33,789,359	10.0%	21,886,142	6.9%	16,675,440	16,670,440	4.8%
Total revenues	337,700,952	100.0%	314,939,954	100.0%	345,651,686	344,648,905	100.0%
Expenditures By Category							
Personnel	115,791,238	36.0%	124,749,653	38.2%	131,049,906	129,951,700	39.5%
Commodities	5,889,066	1.8%	6,786,532	2.1%	7,453,259	7,431,343	2.3%
Contractual services	150,127,699	46.7%	151,719,926	46.5%	156,793,175	154,615,658	46.9%
Capital outlay	5,131,629	1.6%	4,085,706	1.3%	4,152,465	3,916,888	1.2%
Other	28,360,194	8.8%	37,789,062	11.6%	35,986,707	35,695,711	10.8%
Appropriation Lapse	-	0.0%	(4,573,100)	-1.4%	(6,100,000)	(6,100,000)	-1.9%
Operating Expenditures	305,299,827	95.0%	320,557,779	98.2%	329,335,512	325,511,300	98.8%
Capital projects	16,236,433	5.0%	6,008,952	1.8%	15,256,382	3,884,073	1.2%
Total Expenditures	321,536,261	100.0%	326,566,731	100.0%	344,591,894	329,395,373	100.0%
Other Fin Sources (Uses)							
Transfers in	63,028,761		51,464,514		62,635,285	61,432,264	
Transfers out	(67,001,301)		(51,464,514)		(62,635,285)	(61,432,264)	
Total Other Fin Sources (Uses)	(3,972,541)		-		-	-	
Net Inc (Dec) in Fund Balances	\$ 12,192,151		\$ (11,626,777)		\$ 1,059,792	\$ 15,253,532	

See page B-15 for estimated fund balances for each fund type.

All Funds Personnel History

by Functional Area

Department	2002	2003	2004	2005	2006
Administrator's Office	9.5	10.5	10.5	10.5	10.5
Board of Commissioners	11.5	11.5	11.5	11.5	11.5
Bureau of Equalization	20.0	21.0	21.0	21.0	21.0
Community Development	6.0	6.0	6.0	6.0	6.0
County Clerk	30.5	31.0	31.0	31.0	30.0
Drain Commissioner	6.5	7.0	7.0	7.0	7.0
Facilities Management	48.0	47.5	43.5	43.5	46.5
Fiscal Services	26.0	27.0	27.0	26.0	26.0
Housing Commission	4.0	4.0	4.0	4.0	4.0
Human Resources	26.5	22.0	22.0	21.5	21.0
Information Technology	46.0	47.0	43.0	43.0	43.0
Risk Management	2.0	2.0	2.0	2.0	2.0
Treasurer's Office	16.0	16.0	16.0	16.0	16.0
General government	252.5	252.5	244.5	243.0	244.5
Sheriff	588.5	609.0	599.0	597.5	586.5
Public safety	588.5	609.0	599.0	597.5	586.5
17th Circuit Court	263.0	267.0	267.0	264.5	262.5
63rd District Court	33.0	33.5	35.0	35.0	36.0
Community Corrections	2.5	2.5	2.5	2.5	2.5
Probate Court	15.0	15.0	14.0	14.0	14.0
Prosecutor's Office	81.5	84.5	84.0	84.0	82.0
Judicial	395.0	402.5	402.5	400.0	397.0
Kent/MSU Cooperative Extension	7.5	7.5	7.5	6.5	6.5
John Ball Zoological Gardens	48.0	48.0	48.0	48.0	48.0
Parks	37.5	37.5	37.5	37.5	37.5
Lodging Excise Tax	2.0	2.0	2.0	2.0	2.0
Cultural and recreation	95.0	95.0	95.0	94.0	94.0
Child Care	118.5	128.5	129.0	129.0	130.0
Community Mental Health	111.5	-	-	-	-
Health Department	324.0	305.0	296.0	288.0	279.5
Soldiers' & Sailors' Relief	1.0	1.0	1.0	1.0	1.0
Health and welfare	555.0	434.5	426.0	418.0	410.5
Aeronautics	114.5	123.0	124.0	124.0	124.0
Public Works	73.0	76.5	75.5	75.5	77.5
Enterprise activities	187.5	199.5	199.5	199.5	201.5
Central Services	12.0	12.0	12.0	10.0	9.0
Fleet Services	4.0	4.0	4.0	4.0	4.0
Other	16.0	16.0	16.0	14.0	13.0
Total FTE	2,089.5	2,009.0	1,982.5	1,966.0	1,947.0

Note: A separate authority was created for Community Mental Health on April 2, 2003 and all employees & financial assets were transferred to an independent agency.

