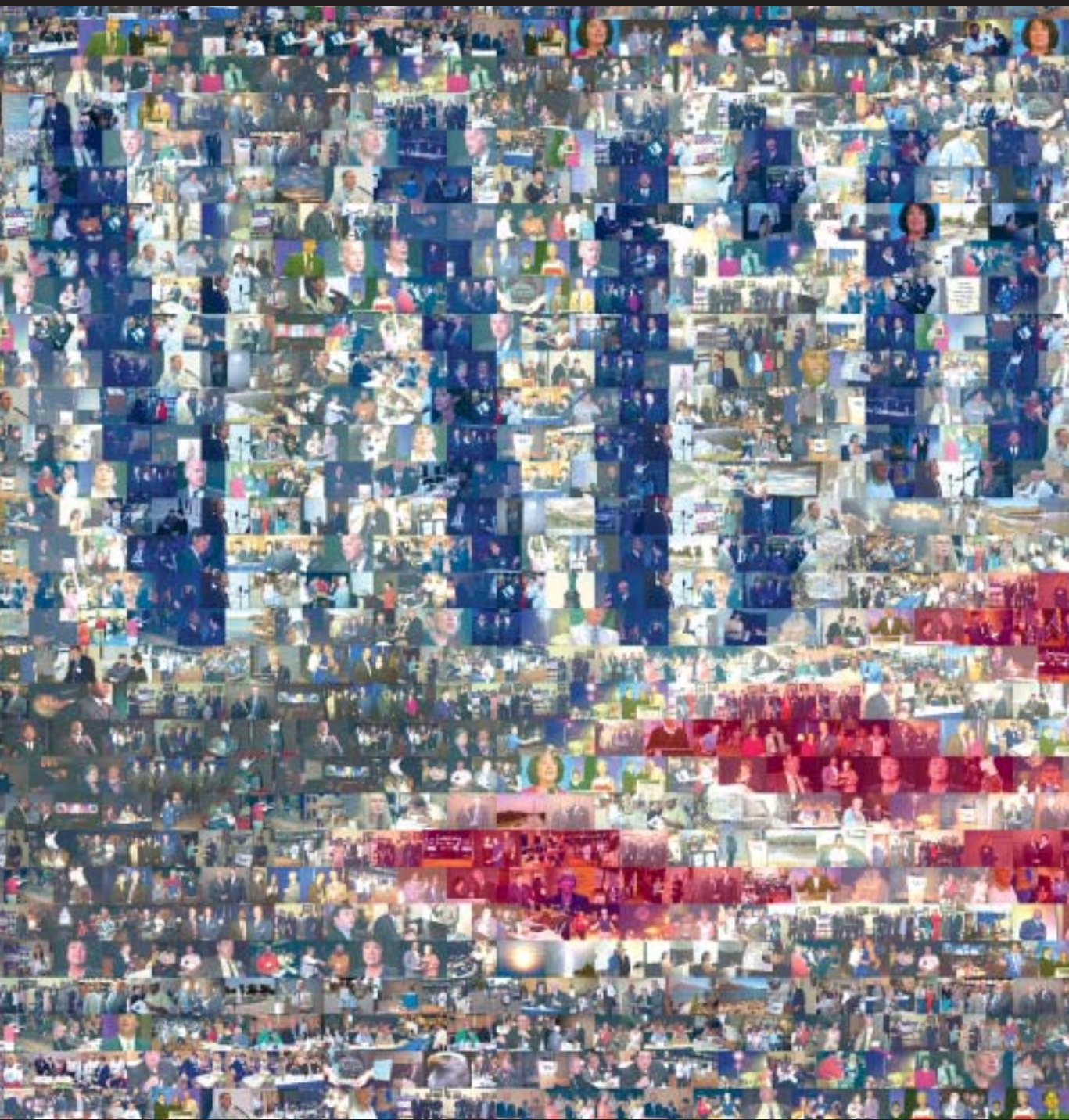


National Association of Counties

2004-2005



Annual Report

NACo Executive Committee



**Hon.
Angelo D. Kyle
President**
Board Member
Lake County, IL
☎ 847-360-6336
akyle@co.lake.il.us



**Hon.
Eric Coleman
Second Vice
President**
Commissioner
Oakland County, MI
☎ 248-858-0100
colemane@co.oakland.
mi.us



**Hon.
Bill Hansell
President-Elect**
Commission Chair
Umatilla County, OR
☎ 541-278-6201
bill_hansell@co.umatilla.
or.us



**Hon.
Karen M. Miller
Immediate Past
President**
Commissioner
Boone County, MO
☎ 573-886-4305
kmiller@boonecountymo
.org



**Hon.
Colleen Landkamer
First Vice President**
Commissioner
Blue Earth County, MN
☎ 507-389-8283
colleen.landkamer@
co.blue-earth.mn.us



**Larry E. Naake
Executive Director**
☎ 202-393-6226
lnaake@naco.org

Presidential Message from Angelo D. Kyle

Never Forget that We Are One

Dear Fellow County Official,

Whenever I visited state association conferences or other meetings during my years as a NACo officer, I concluded my remarks with an important message. I recited the poem, "One," which was written in the aftermath of September 11. The poem vividly conveys the actions, strengths and feelings of how we dealt with that terrible tragedy. The poem concludes with these words:

"We are
One color
One class
One generation
One gender
One faith
One language
One body
One family
One soul
One people

We are The Power of One.
We are United.
We are America."

The message is a powerful one. It is a message that needs to be repeated. The strength and feelings of our response to the terrorist attacks are what should guide us every day. Sure, we may disagree on issues. There may be differences of

opinion among us about how to solve a problem. But those disagreements and differences should not cloud our belief that we are one. Ultimately, we are all working toward a stronger, more prosperous America.

This Annual Report outlines the efforts NACo and county officials have taken to do just that – improve the lives of the people in our counties. It includes information on my Presidential Initiatives: Increasing Home Ownership, Eliminating Health Disparities and Sharing Information Technology. The report also contains our association's top accomplishments, future goals and interesting news items. This is your association so you should feel proud about what we have achieved.

This has been an exciting and exhilarating year. In addition to visits to state association meetings and site visits for my Presidential Initiatives, I testified before Congress in February to save the Community Development Block Grant Program and in March to urge lawmakers to strengthen the unfunded mandates law. I also held two Web conferences to keep NACo members informed about my initiatives and key legislative issues.

I am honored to have had the opportunity to serve as your President. I have learned a great deal and made many friends. Thank you for giving me this chance – and remember, "We are one."



Angelo D. Kyle
NACo President
Board Member, Lake County, Illinois



NACo President Angelo D. Kyle Presidential Initiatives

Eliminating health disparities

NACo President Angelo D. Kyle believes that the elimination of health disparities is an urgent issue facing our country and the nation's counties. Health disparities refer to differences in the quality of health and health care depending on someone's race, ethnicity, income, or geographic location. Today in the United States, racial and ethnic minorities, lower income individuals and people living in rural, medically underserved areas have poorer health, higher chronic disease rates and higher mortality rates.

As counties are heavily invested in public health and the health care safety net – often as providers of last resort – so too are counties vested in creating healthier communities for people to live and work.

To reduce these disparities and improve health outcomes for all Americans, this Presidential Initiative sought to educate county officials and the public about disparities in health care. The first step was for NACo to produce a primer, "Creating Healthy Communities: The Role of Counties in Reducing Health Disparities."

Successful county strategies that increase access to culturally competent preventive and primary care and that save counties money were showcased. In November 2004, a delegation of NACo's health leadership toured Clark County, Nevada's health disparities programs, which combine community health programs with social services and recreation centers in high-risk Las Vegas neighborhoods. In the spring, a NACo delegation toured Lake County's award winning community health centers, and another delegation visited the CHOICE Regional Health Network, a multi-county, public/private consortium serving several counties in rural Washington.

County partnerships with community health centers have been highlighted, as well as health education and prevention strategies, such as those in Lake County, Illinois. A Health Disparities Forum to encourage dialogue between county officials and private sector leaders in the health field was held at the Legislative Conference in March. The forum and the initiative were made possible through the financial sponsorship of Eli Lilly and Company.

Finally, the NACo Board of Directors approved the creation of a Health Disparities Subcommittee to continue the work of eliminating disparities.

Increasing home ownership

The housing Presidential Initiative has built key partnerships and conducted major events to promote housing and home ownership opportunities for first responders and working Americans. As a first step, a Sustainable Housing Council was formed that was comprised of public, private sector, community, and faith-based leaders to help advise the initiative and assure that the full range of challenges are represented.

Four major publications have been released. The first, with Freddie Mac and the Center for Housing Policy, highlighted the challenge to afford homes facing working Americans such as police, teachers, and nurses. The second provided instruction on key federal assistance programs HOPE VI, and HOME. The third demonstrated the effectiveness and necessity of forming partnerships with the private sector and faith-based communities to develop quality housing as part of a comprehensive sustainable community strategy. The fourth provided the opinions and activities of counties in streamlining development processes.

The May 9 issue of *County News* provided information about how NACo is partnering with Bank of America and the National Association of Police Organizations to help more public safety workers and others become home owners.

To highlight county successes, NACo delegations attended the groundbreaking of a new mixed-use, mixed-income community in Fulton County, Georgia, that was developed with the help of these programs; toured Arlington County, Virginia, to see how that county has built partnerships to provide housing for working class citizens, less affluent residents, and the elderly; and in June, visited Miami-Dade County to highlight workforce and minority housing issues during National Housing Month.

Sharing information technology

The third initiative is the Solutions Sharing Network (SSN), which is the technology initiative made possible by hardware, software and consulting resources provided by Microsoft and Hewlett Packard.

SSN is a Web-based portal on the NACo Web site that allows county officials to share knowledge, best practices and software applications. The tips, procedures, and county-developed software provided through this portal are free to any member county.

SSN provides an online, community-based capability to promote increased communication, deeper information exchange, and collaboration between counties. It enables counties to share their unique information technology solutions, architectures, best practices, and application source code.

Counties benefit from this program because it:

- Saves money by leveraging the investments made by other counties;
- Implements new technologies faster ; and
- Offers not just software— but also includes RFPs, best practices, and procedures.

The Solutions Sharing Network has undergone a pilot program by select counties. The network will be available to all counties by the NACo Annual Conference, which takes place in July in the City and County of Honolulu, Hawai'i.

Major Accomplishments

More than \$278,000 in grants awarded to counties

NACo gave a record \$278,400 in grants to county-based programs that promote child and family success, diversion of the mentally ill from jails, and environmental awareness and restoration. The grants are a component of NACo's training and technical assistance programs and are designed to build capacity and to foster innovative county practices.

One billion dollars in increased funding to help pay health care costs

Through the continued pressure of the Large Urban County Caucus, the Rural Action Caucus and the NACo Health Steering Committee, the George W. Bush Administration announced it would provide \$1 billion to help hospitals pay for care for illegal immigrants. The money was made available as part of the expanded Medicare package. In addition, NACo staff worked successfully on limiting the proposed Medicaid cuts in the final budget resolution to \$10 billion. Additionally, staff successfully lobbied in support of creating a Medicaid commission that NACo was seeking in order to address the future of the program.

Prescription Drug Discount Card Program expanded

The Prescription Drug Discount Card Program, after a successful pilot testing period, was expanded in May by the NACo Board of Directors to allow all member counties to participate. The discount cards are designed for people without insurance, but can be used by any resident of the participating counties. There are no forms to fill out and no fee for the card. There is no cost for the program for NACo or the counties other than promotion.

The first of the 17 pilot counties began distributing the cards in December. As of the end of May, more than 48,000 prescriptions had been filled with an

average savings of 19 percent per prescription. Total drug costs after discounts with the card were more than \$2.5 million, which saved approximately \$659,000 off of the full retail price. Twenty-one more counties have signed contracts and are ready to begin the program, while another 50 counties are interested in providing the program for their residents.

***County Leadership Handbook* revised and available free**

The *County Leadership Handbook*, first published in 2000, was completely rewritten and revised in 2004, and made available to the state associations for broader distribution. It also was posted on NACo's Web site for member viewing and downloading. The handbook, designed for both newly-elected and long-term county officials, provides information on a wide variety of topics, and contains the tips, advice, stories and experience of veteran county officials.

New partnership offers multi-faceted approach to housing issues

A new partnership agreement with the Fannie Mae Foundation will allow the Center for Sustainable Communities to offer members a multi-faceted approach to housing issues, and will provide continuation to one of President Kyle's initiatives. Partnerships with Bank of America and with the National Association of Police Organizations to promote "Neighborhood Champions," a first-responder mortgage assistance program, add to these efforts.

Assisting counties with information sharing and technology

NACo is assisting counties to improve and enhance their information sharing and technology as well as using technology to provide information on

legislation and other issues to county officials. NACo, working with Microsoft and Hewlett Packard, developed the Solution Sharing Network, which is a Web-based portal on NACo's Web site that allows county officials to share knowledge, best practices and software applications. The tips, procedures, and county-developed software that are provided through this portal are free to any member county.

Also, NACo held two Web conferences during the past 12 months to keep county officials informed about important issues. The first, held in December, focused on President Angelo Kyle's Presidential Initiatives and the NACo budget for Fiscal Year 2005. In May, the second Web conference concentrated on legislative issues: cuts in Medicaid funding, reauthorization of TEA-21, unfunded mandates, and saving CDBG.

Special GIS assistance to counties continued

In April, NACo renewed its partnership with the Institute for the Application of Geospatial Technology, enabling NACo to continue to provide counties with information, training and technical assistance on the use of Geographic Information Systems (GIS) and other geospatial technologies at a nominal cost to the association. The agreement was extended through December 2006, and calls for work in the areas of water resource management, community health, criminal justice, homeland security and wildfire prevention.

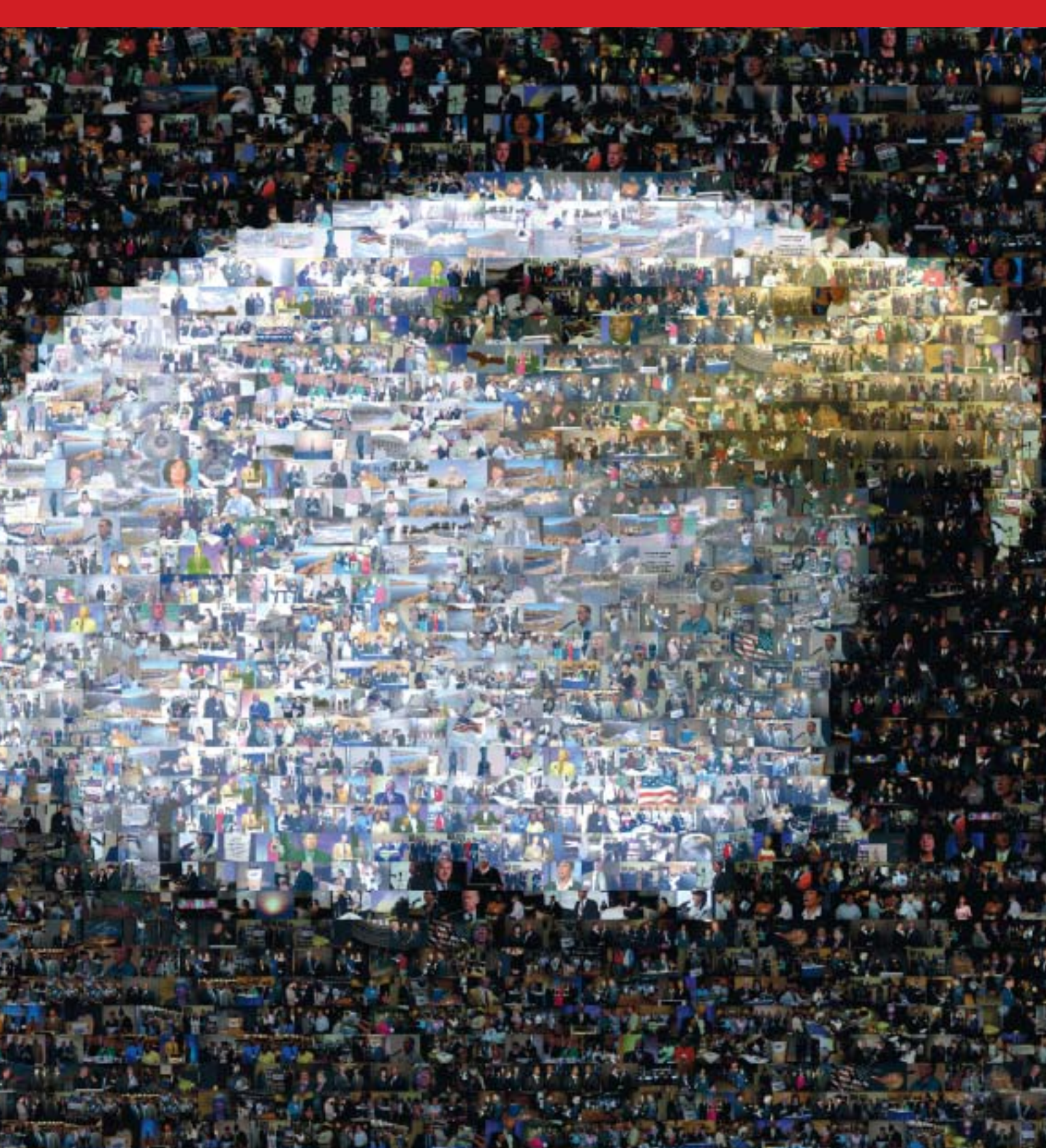
Through the partnership, a GIS expert was assigned to work at NACo headquarters. This staff member conducts workshops at NACo conferences and state association meetings and answers inquiries from counties. The project also has resulted in the development of a new interactive Congressional District/County centric map for use by NACo staff for grassroots development and utilization. The mapping system was created using ESRI ArcServe software and data layers from the U.S. Census Bureau and NACo's own database.

Strategic Marketing Plan developed

To improve and better coordinate NACo's marketing efforts, a Strategic Marketing Plan for the future has been developed. The marketing plan has three goals:

1. Position NACo as the premier source of education, information, best practices, advocacy, research, products and publications related to county government;
2. Increase member participation in NACo programs (including membership);
3. Clearly define and communicate NACo's brand strategy.

In 2005, NACo is focusing on three areas to reach these goals: gathering and analyzing market research, developing a marketing piece that clearly identifies NACo's corporate identity, and improving NACo's corporate membership promotional materials to increase corporate membership.



Goals for the Future

NACo 2004-2005 Annual Report

Pursuing key legislative issues to help counties and their citizens

NACo has identified a number of key legislative issues that it will continue to pursue this year. Work will focus on:

- Getting the reauthorization of TEA-21 passed and signed;
- Saving the Community Development Block Grant program;
- Securing reauthorization of the Workforce Investment Act;
- Getting the Secure Rural Schools and Community Self Determination Act reauthorized;
- Extending the deadlines for complying with the Help America Vote Act; and
- Continuing to negotiate with the telecommunications industry over telecom taxes.

Fighting the meth epidemic and child advocates program are priorities

NACo has begun working to assist counties in coping with the nation's methamphetamine epidemic. Research, legislative advocacy and education initiatives are under way. The meth priority, as well as promoting partnerships between counties and local Court Appointed Special Advocate programs, will be initiatives conducted under President Elect Bill Hansell's leadership.

Working to increase training and technical assistance to counties

NACo is working to significantly increase its training and technical assistance to counties on health, criminal justice and homeland security. To accomplish this, NACo has developed several program proposals and requested more than \$1.3 million in new funding support from federal agencies and private foundations. In addition, NACo has already begun new programs on juvenile detention reform and rural health.

Developing a cost recovery/cost containment program for counties

NACo is working to develop a new program that will provide cost recovery and cost containment assistance to counties. Public administrators across the country have identified cost recovery and cost avoidance as primary goals during this time of budget crisis. Often local governments do not have the expertise or staff support to fully recover overpayments or analyze cost containment opportunities.

The program could include activities such as cost recovery through audits of accounts payable, account receivables, federal and state grants, utilities, phones, insurance, and supplier contract discounts and rebates. Cost recovery may also be achieved through debt collection services. Cost reduction assistance could be provided through real estate management and analysis of rents and leases, owned facilities, build-to-lease facilities and turnkey operations.

Further enhancing collaboration between NACo and members

Over the next three years, NACo will enhance its Web site to use collaborative technologies which will enable members to receive e-mail alerts when information important to them gets updated on our Web site. For example, if a member has a particular interest in transportation, the member would request online to receive e-mail alerting him/her whenever new content on transportation is added to the Web site. Collaborative technologies also include Web conferencing, instant messaging and discussion forums—technologies which will complement the existing conference, newspaper, telephone, e-mail and fax communications with NACo.

News & Innovations

NACo and NRS celebrate 25 years of success

In 2005, NACo and Nationwide Retirement Solutions (NRS) celebrate 25 years of success in delivering retirement programs to county employees. To date, NACo, Nationwide and endorsing state associations of counties have provided more than 670,000 county employees with a competitive, high quality 457 deferred compensation over 25 years. Today the program reaches nearly 400,000 county employees and receives endorsements from 42 state associations of counties. Currently, the program assets exceed \$7 billion.

457 Deferred Compensation Program ranks #1 Again

NACo's deferred compensation program, administered by Nationwide Retirement Solutions (NRS), placed first among its competitors on its return on the fixed annuity option offered to county employees. A study, conducted by an independent firm, reviewed the fixed annuity option offered by NRS and its largest competitors. NRS has maintained its number-one ranking for more than 15 consecutive years.

In addition to evaluating the competitiveness of the fixed option offered to county employees, the consultants also reviewed the creditworthiness of Nationwide Insurance and concluded that it is a strong, stable insurer. This is a significant consideration as it is vital that our county employees' retirement savings are administered by a financially solid company.

The independent consultant study is only one feature of NACo's 457 deferred compensation program that distinguishes it from others. NACo is the only national deferred compensation program with an advisory committee consisting of program participants who provide program oversight. The NACo program is the largest deferred compensation program in the country for county employees.

Two counties receive ENERGY STAR designation

Two counties earned the ENERGY STAR label for county buildings under NACo's ENERGY STAR Courthouse Campaign, which was launched in 2004. Ada County, Idaho, and Story County, Iowa, completed a rigorous energy management evaluation with NACo's help to earn the label.

Survey on unfunded mandates completed

The County Service Department's Research Division cooperated with the Legislative Affairs Department to survey counties about the cost of compliance with federal mandates. The work was done at the request of the House Government Reform Committee, and formed the basis of a report and testimony that was given to the committee in March.

Survey measured impact of deployment of reservists on counties

The Research Division also conducted a survey on the impact of the continuing deployment of military reservists on county government employees. A report was prepared from the survey results and was used as the basis for testimony before Congress by the chair of the NACo Labor Steering Committee. The survey was quoted by various news media outlets, and the Government Accountability Office, at the request of Senator Edward M. Kennedy, used NACo's survey questions to conduct a more comprehensive survey of local governments.

NACo improving relationship with affiliate organizations

Relationships with NACo's affiliate organizations continued to improve. The Affiliate Council recommended policy revisions and clarifications to

the Board of Directors relating to the process for affiliation and for maintaining affiliate status. A task force of NACo and affiliate representatives will begin meeting later this year to discuss the merger of NACo's fall Health, Human Services and Employment Conference with similar affiliate-sponsored conferences.

Rural Action Caucus provides briefing on meth issue

The Rural Action Caucus, the Congressional Methamphetamine Caucus and the Congressional Rural Caucus met to discuss joint efforts to deal with the problem of meth abuse; more than a dozen members of Congress and over 48 congressional offices were represented. The caucuses were briefed on NACo's ongoing efforts, including the development of a broad based coalition of interests, both from the private sector and the public sector communities. The coalition included pharmaceutical companies, large retailers and other associations.

PILT fly-in results in increased funding

The Rural Action Caucus (RAC), the Large Urban County Caucus (LUCC) and the Payment In Lieu of Taxes (PILT) fly-ins were very successful with scores of House of Representatives and Senate offices visited. The PILT fly-in netted an additional \$3 million in the House (the Senate has not acted as of this date) and spurned the Administration's proposed \$27 million cut. More than 60 Senators have signed a letter to the Appropriations Committee asking for \$235 million for PILT. LUCC and RAC focused on saving CDBG, TEA-21 and the meth abuse issue.

New alert system generates calls to Congress

NACo began using a new Legislative Call Alert system to generate calls to Capitol Hill. This new system gives NACo members the ability to directly call their Hill contacts. The system provides the county officials with talking points and the phone numbers for members of Congress all by just typing their zip code. The alert is coordinated with "push" emails to the appropriate NACo members.





NACo ends FYO4 with \$1.7 million surplus

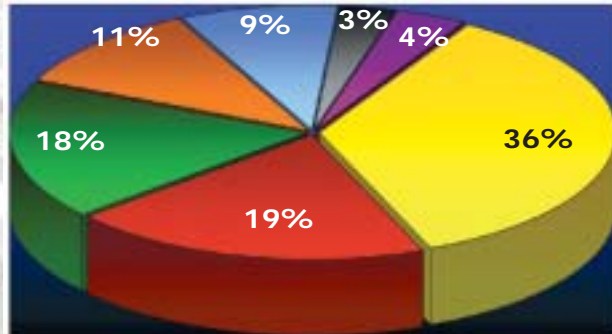
NACo's consolidated financial operations ended the 2004 fiscal year with a net surplus of nearly \$1.7 million—8 percent of revenue—nearly twice that which was planned. Revenue came in close to the budget target and expenditures were under budget by 6 percent.

Although NACo ended the year short of its revenue budget for membership dues and for-profit enterprises, investment income was up 36 percent over 2003 and enabled the association to meet its budget goals.

Spending came in under budget due to significant savings in overhead—more than 12 percent under projections. All program areas came in on target with budget. Overall, revenue was 5 percent higher than 2003 and spending was maintained at the same level as 2003.

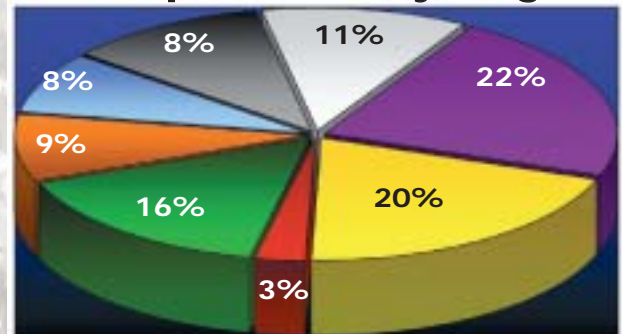
Net assets and membership equity increased nearly 16 percent over 2003. Reserves reached \$10 million—50 percent of total revenue. Of this amount, \$5.8 million is restricted by the Board of Directors for future endeavors.

2004 Sources of Revenue



- NACo Royalties & Fees
- Membership Dues
- Rental Operations
- Conferences
- Grants & Contracts
- County Programs/Services
- Investments

2004 Expenditures by Program



- NACo Services Corp (NACoS)
- Membership Development/Marketing
- Rental Operations
- Conferences
- Grants & Contracts
- County Programs/Services
- Legislative
- Management & Administration

Net Assets

