NACo Executive Committee

The Honorable Colleen Landkamer
President
Commissioner
Blue Earth County, MN

The Honorable Eric Coleman
President-Elect
Commissioner
Oakland County, MI

The Honorable Donald Stapley
First Vice President
Supervisor
Maricopa County, AZ

The Honorable Valerie Brown
Second Vice President
Supervisor
Sonoma County, CA

The Honorable Bill Hansell
Immediate Past President
Commission Chair
Umatilla County, OR

Larry Naake
NACo Executive Director
Washington, DC
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On the cover: In late January of 2007, NACo moved to its new offices located at 25 Massachusetts Avenue.
Dear Fellow County Official,

What a spectacular year – for counties, for NACo and for me as your President! It has been an honor to serve America’s counties and you, America’s county officials. The NACo Presidency has been a great experience, not just for the opportunities presented, but for the many accomplishments NACo achieved during the past 12 months.

The NACo year began in Cook County and took off from there. Executive committee members and NACo staff traveled from coast to coast for presentations at state associations of counties, for events on Capitol Hill, and for meetings with groups and partners to promote county government and county issues.

NACo offices were also on the move, relocating to a new office on Capitol Hill on Massachusetts Avenue. In recognition of the dedication and hard work of NACo members and staff, the American Society of Association Executives (ASAE) and the Center for Association Leadership, following an extensive research study, honored NACo as one of nine “remarkable” associations in the country.

NACo is an excellent organization. It wasn’t the honor by ASAE that led me to that conclusion. The ASAE honor was just icing on the cake. But “remarkable” organizations receive their recognition because they are constantly challenging the status quo and exploring opportunities to improve. A key area of focus during the past year was to encourage more county official involvement and engagement in NACo. It is a pleasure to report that NACo’s success at meeting this goal is surpassing each of our expectations.

NACo membership is at an all time high and growing. The NACo Prescription Drug Discount Card Program is adding new counties every week and saving uninsured Americans real money on their prescriptions. NACo’s lobbying efforts on key issues and during the Legislative Conference made Congress more aware of county government and the issues that affect our constituents. Attendance at the Western Interstate Region Conference in Alaska was the highest in four years. Each of the NACo Board of Directors members are engaged in the association and in county issues and are committed to keeping county officials from their states better informed about NACo and national business.

During the past year, NACo has had many legislative successes and has launched efforts to achieve others. As President of NACo, I am chairing a campaign to bring together 27 national organizations to champion the inclusion of rural development as a key component of the 2007 Farm Bill. When the Campaign for a Renewed Rural Development was announced in April, Senators Hillary Clinton of New York and Tom Harkin of Iowa and Representative John Barrow of Georgia participated in a news conference.

NACo is encouraging county officials to become more involved in Presidential politics through the 2008 Presidential Election Project. We are asking county officials in the early caucus and primary states to meet with the candidates, discuss county issues and stress the goal of the project – to get the next President to commit to restoring the federal-county partnership — a partnership that is about finding solutions to the challenges facing our country.

This letter is a very quick summary that highlights what NACo has accomplished on behalf of each of you, me and county officials from across the country. This is the strength of NACo – the collective cooperation of county officials, state associations and staff to improve the lives of the people that we serve.

The NACo Annual Report provides more detail of NACo’s achievements, as well as information on other NACo programs. I invite you to send your comments and suggestions to NACo for even higher and greater achievement.

It is my belief that this past year will serve as a springboard for even greater accomplishments. NACo is “remarkable” because of the “remarkable” people who have chosen to commit their energy and efforts to county government. Thank you for allowing me to serve you as President of NACo. It is an honor and privilege and an experience that I will long remember and hold dear.

Sincerely,

Colleen Landkammer
2006-2007 NACo President
Dear NACo Member,

The past 12 months have been a landmark period for NACo. From a new office to distinctive recognition to major accomplishments, NACo has experienced it all.

After 25 years, NACo has a new home. It is 25 Massachusetts Avenue, on Capitol Hill and only a few blocks from the old building. The move in January went smoothly and with few interruptions of services to members. The design and organization of the office is excellent and reflects the professional stature of an association that is respected by peers and decision makers throughout Washington.

This respect became public in August 2006 when NACo was recognized as one of nine “remarkable” associations in the country by the American Society of Association Executives and the Center for Association Leadership. After conducting a four-year research study, ASAE released the findings of the study in “7 Measures of Success – What Remarkable Associations Do that Others Don’t.” NACo is mentioned prominently in the book as an organization that makes smart decisions and is always exploring ways to improve.

One of the reasons that we received this recognition is because of our financial situation. NACo’s finances are in excellent shape because of the Financial Services Corporation programs, increased membership and good management by staff. In fact, we expect to end fiscal year 2007 with a surplus $500,000 higher than expected. I am pleased not only with the accomplishments we have achieved this year, but also with our plans for the future with programs like the Green Government Initiative and the 2008 Presidential Election Project.

With every year, there are changes. We have been fortunate in recent years that there have only been minor changes in our leadership staff. This year we experienced a major change. Chief Financial Officer Kathyann Bosak left NACo in June after 15 years with the association.

It is hard to imagine what NACo would be like today, both financially and administratively, if Kathy had not been here to build our financial and infrastructure systems, to implement those systems, and to make us the most financially stable and solvent of all of the public interest groups in Washington. When Kathy started at NACo, we were $2.5 million in debt. Today, we have $20 million plus in the bank. That is an amazing accomplishment and she deserves much of the credit for that success. We thank her and wish her the best in every new venture she pursues.

Thank you for letting us serve you. I look forward to working with you in the future and welcome your ideas and suggestions about how we can improve the service that we provide.

Sincerely,

Larry E. Naake
Executive Director
Rather than choosing a traditional “Presidential Initiative,” President Colleen Landkamer instead opted to initiate a long-range Strategic Focus for NACo. While recognizing NACo’s past achievements and excellent reputation, she called for reflection and a renewed vision for engaging its members, Board of Directors, Executive Committee, state associations of counties and other local government and affiliate organizations.

People throughout the NACo family responded to Colleen’s membership challenge by suggesting innovative and creative ideas on new ways to engage each constituency. As Colleen would say, most of the innovative suggestions made “great good sense.” Some ideas were easily and quickly implemented at little or no cost to NACo, while others will be implemented over the coming months and years. All of the ideas support and contribute to the organization’s renewal.

Highlights of the engagement strategies include:

**NACo Members**
- A workshop at the Legislative Conference focused on what new members need to know about NACo, and how they can become involved.
- New strategies for Presidential communications with NACo members were implemented.
- A new Steering Committee “job description” will be used to attract new steering committee members and increase the engagement of those already serving.
- Marketing and branding efforts have been designed and implemented to enhance NACo’s identity and increase its profile.

**NACo Board of Directors**
- A new board member job description was adopted, and each member pledged to fulfill those responsibilities and to provide an annual report of their activities.
- At the fall and the WIR Board meetings, small group sessions allowed board members to provide input to the 2007 Strategic Plan and to learn more about NACo programs and services.

**State Associations of Counties**
- An opinion survey of state association directors was conducted last fall. The results of the survey were utilized by the Member Programs and Services Committee, the Executive Committee and the Board of Directors.
- The National Council of County Association Executives (NCCAE) assisted in drafting the Board of Directors job description.
- NCCAE provided useful suggestions for “back home” reporting and sharing of actions taken at NACo board meetings.

**Other Local Government and Affiliate Organizations**
- Under NACo leadership, a Campaign for a Renewed Rural Development was launched. The coalition has over 30 organizational members. A press conference kicked off activities designed to promote funding for rural development activities in the 2007 farm bill.

**2008 Presidential Election Project**
- The project was initiated to get candidates for U.S. President to focus on county issues. The ultimate goal is to restore the federal-county partnership.
- A full-time person was hired to coordinate the project.
- More than 75 county officials are actively participating in the project and more than 200 have endorsed presidential candidates.
- County officials have participated in activities and events in key early primary and caucus states.
- NACo launched a blog, www.nacoblog.blogspot.com, to track campaign activities and events, endorsements by county officials and the progress of the project.
- A candidate questionnaire was sent to each campaign staff to assess candidates’ positions on issues of interest to counties.
- Each candidate was invited to speak at the NACo Legislative and Annual Conferences.

All of this activity is certainly a good start, but the seeds of engagement that President Landkamer has sowed will grow, develop and reap benefits for years to come!
Major Accomplishments

NACo – A Remarkable Association

NACo was recognized in August 2006 as one of nine remarkable associations in the United States by the American Society of Association Executives (ASAE) and The Center for Association Leadership. After conducting a four-year research program, ASAE released their findings in “7 Measures of Success – What Remarkable Associations Do That Others Don’t.”

2006 – An Extraordinary Fiscal Year

NACo’s consolidated net surplus exceeded $4.1 million — $2.1 million higher than budget. The net asset balance reached $19.5 million and reserves nearly $18 million. The association is expected to have financial success in 2007 as well. The First Quarter Financial Report for FY 2007 showed that net surplus for the year is anticipated to be about $500,000 higher than planned.

Membership

In early June, the number of NACo members reached 2,247 – a new high. Since January 1, NACo has had 66 new members join which continues the robust new member recruitment pace from 2006. NACo finished 2006 with a record high in membership with 2,220 members, second highest retention rate ever (97.5 percent) and the highest membership revenue in its 72-year history ($3,908,000). In 2007, all records are expected to be broken — revenue, all-time membership and retention rate.

NACo Prescription Drug Discount Card Program

The Prescription Drug Discount Card Program has grown phenomenally since the program began in late 2004. Nearly 800 counties, parishes and boroughs are now participating in the program, while another 500 counties have inquired about it. Through the end of May, the program has saved more than $35.3 million on more than 3.2 million prescriptions for an overall average savings of 22 percent. The program has also directly led to 140 new members.

Financial Services Corporation (FSC)

Income to NACo from royalties and profits from the FSC reached $1.5 million in 2006 and is expected to reach $1.9 million in 2007. The U.S. Communities Cooperative Purchasing Program exceeded $1 billion in sales, providing public agencies with $125 million in savings in 2006. The overall savings of the program since it began 10 years ago is estimated to be $750 million. Program growth is exceeding 35 percent each year. More than 20,000 public agencies and 1,900 counties participate in the program.

Green Government Initiative

NACo launched the Green Government Initiative at the 2007 Legislative Conference to provide counties with information, training and assistance about all things “green” and to provide access to environmentally-friendly products and services, from office supplies to alternatively fueled vehicles. The initiative is a public-private collaboration, with 11 founding corporate sponsors serving with county officials on a national advisory board. More than 250 NACo member counties have signed up for the Green Government Network.
Successful Move to New Headquarters
NACo successfully moved into its new headquarters offices in January 2007 and celebrated the accomplishment with a reception for the Board of Directors and the state association executive directors during the 2007 Legislative Conference.

Marketing NACo
After two years of research and data gathering from focus groups, interviews, member and nonmember surveys, NACo began a concentrated effort focused on marketing the association and county government services to various audiences. NACo hired its first marketing director to implement a strategic marketing plan to brand NACo, create greater visibility of NACo and counties, and improve communications to target audiences. A new tagline, “The Voice of America’s Counties” was also instituted to better reflect the business of the national association.

Legislative Victories
NACo was successful on a number of its legislative priority issues. The association worked to:
- Save the Community Development Block Grant Program again;
- Derail the Telecommunications Act Rewrite legislation that would have taken video franchising away from local governments;
- Obtain a one-year extension for the Secure Rural Schools and Community Self-Determination Act;
- Get reauthorization of the Voting Rights Act;
- Delay implementation of a Medicaid regulation for one year that would have negatively affected intergovernmental transfers costing counties millions of dollars; and
- Obtain additional funding for the State Children’s Insurance Program in the supplemental appropriations bill.

Retirement Programs
The NACo/Nationwide Retirement Solutions Deferred Compensation Program reached $9 billion in assets and 360,000 employees participating in the program. Both numbers are records for the program. NACo’s endorsement and marketing income from this program will be $7.3 million in 2007, with state associations receiving more than $3 million. NACo’s Post Employment Heath Program offers a solution for the OPEB and GASB crisis.

Peer to Peer Network
NACo launched the Peer-to-Peer Network, which allows members to request technical assistance in specific issue areas from peer county officials across the country. The network is hosted in the Member’s Only Section of NACo’s Web site.

IT Disaster Recovery Capabilities Improved
NACo has improved its information technology systems disaster recovery capabilities by removing single points of failure to its telephone system and data networks. This was accomplished by implementing failover hardware for the telephone system and providing multiple access points to the Internet.
Lobbying Effort on Election Issue Gets National Media Attention

NACo received national media attention in the spring of 2007 for its grassroots lobbying effort against legislation requiring that all touch-screen electronic voting machines be discarded in favor of expensive new “paper trail” equipment in time for the 2008 presidential election. USA Today reported that county officials’ “letters, phone calls and meetings with lawmakers in recent weeks are likely to prompt changes, supporters and opponents say.”

Nationally syndicated Washington Post columnist David Broder reported on NACo’s strong opposition to the bill noting that it “has run into a buzz saw of criticism from the people who manage elections.” The column was carried in dozens of major daily newspapers including the Miami Herald, Seattle Times, Indianapolis Star, Salt Lake Tribune, Orlando Sentinel, Sacramento Bee, and Fort Worth Star Telegram. In addition, the Washington Post and Columbus (Ohio) Dispatch published editorials in support of NACo’s position. The Post said the bill’s provisions are “overly prescriptive” and “impossible to implement” in time for 2008. The Dispatch called the bill “ill-considered.”

The Politico and The Hill, both widely read Capitol Hill newspapers, wrote feature articles detailing NACo’s lobbying and media strategies to stop or at least amend the “paper trail” voting machine legislation.

Cooperative Purchasing Program Adds New Contract

The U.S. Communities Cooperative Purchasing Program added one new contract for 2007: field and athletic turf for parks, ballparks, athletic fields and school playgrounds. The contract for copiers and office machines was re-solicited by the City of Los Angeles and expanded the existing offering. The program now offers contracts for 16 products and services.

Conferences Attract More Delegates and Exhibitors

The financial performance of NACo conferences was a highlight of the past year, with each major conference showing marked improvement in attendance and revenue from previous years. In addition, at the 2006 NACo Annual Conference in Cook County, NACo recorded the highest number of exhibitor booth sales ever, with a total of 300 on the show floor. Increased interest from the corporate arena continues strong in this area, with recently-added educational presentations in the Exhibit Hall by corporations.

Meth Draws Media Coverage as Number One Drug Problem in 2006

In July 2006, NACo released its fifth national methamphetamine survey which found that that meth was still the number one drug problem facing counties. The
Associated Press, Gannett News Services, and McClatchy Newspapers all moved stories across their newswires which were then published in newspapers nationwide. The AP story was featured prominently on the Web sites of The New York Times, USA Today, CBS News, ABC News, MSNBC, Fox News, and others. Several affiliates of NBC and ABC television networks reported the survey’s findings as well.

**Intergovernmental Forum to Study Transportation Finance**

NACo is an active participant in the Intergovernmental Forum work of the National Academy for Public Administration. The forum brings together representatives from the three levels of government to discuss issues that impact them all. The Report Summary of the Intergovernmental Forum on revenue was released in late summer 2006. The current forum on transportation finance, which launched in early 2007, will result in a report to be released later this year.

**NACo Joins Battle to Fight Obesity**

NACo, through the Center for Sustainable Communities, launched its Obesity in Rural America Initiative with funding from the Robert Wood Johnson Foundation (RWJF) to inform the philanthropic community and enlist their support to combat youth obesity in rural communities. Shortly after the launch, RWJF announced a multi-year, $550 million effort to beat back the youth obesity epidemic. The center’s effort positions NACo to help bring needed support and funding to its rural members on this key issue, and encourages a broader national effort to bridge the philanthropic divide between urban and rural community giving.

**Grassroots Coordinator on Legislative Issues Hired**

NACo has hired a new Grassroots Coordinator to manage and expand the legislative grassroots effort. The grassroots effort is designed to more actively engage county officials in advocacy on behalf of county issues. By targeting appropriate officials to contact key Members of Congress, NACo can more effectively use its resources to get our message heard.

**Center to Study GASB Impact on Counties**

NACo, working with the National Center for the Study of Counties (a partnership between NACo and the Carl Vinson Institute of Government of the University of Georgia), completed the fourth county commissioners’ opinion poll. In addition, the center completed the report, “Emergency Management in County Government, A National Study.” The center has begun work on its latest study, which will look at the impact on county governments of GASB’s Statement No. 45, “Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions.”

**NACo Offers Programs to Contain and Recover Costs**

The NACo Financial Services Corporation has developed a number of programs to assist counties with cost containment and cost recovery. The programs are offering excellent savings to counties.

- Background check program saving counties millions.
- Jail Inmate Medical Insurance program continues to offer solutions to health care costs for county jails
- Energy and telecom audits available on a contingency fee basis for any county
- Environmental insurance recovery offers found money for cleanup costs

**Health Care in County Jails to be Studied**

NACo is working with a new partner, Community Oriented Correctional Health Services, to study the current state of health care in county jails. A national survey of sheriffs and jail administrators regarding the administration of inmate health services, their costs and outcomes, is currently being conducted. Results are due to be published later this year.

**Corporate Fundraising Plan Developed**

A new corporate fundraising plan has been developed that focuses on the needs of NACo members and corporate sponsors. The new sponsorship opportunities include automatic corporate membership benefits.

**Policy Academies Held to Improve Communication**

NACo hosted the first two in a series of interoperability policy academies to help local officials better prepare their public safety communications systems for natural disasters, terrorist attacks, and other emergencies. Twenty-six counties from 17 states participated in the intensive training sessions, which were conducted in Maryland and Minnesota in partnership with the Department of Homeland Security and the National League of Cities.
Preventing Exploitation of Children & Improving Services to Young Adults

Preventing the sexual exploitation of children and improving services to young adults aging out of foster care will be priorities for NACo President Elect Eric Coleman when he is President in 2007-2008. NACo has partnered with the National Center for Missing and Exploited Children on a Campaign Against Sexual Exploitation. NACo will be sharing best practices for counties to assist in housing, education and training, health care and other services for youth as they transition from foster care to independent adulthood.

Pursuing Legislative Priorities

There are a number of legislative issues that will be actively pursued by county officials working with the NACo staff. They include:

- Approval by the Senate of the House-passed Methamphetamine Remediation Act
- Farm Bill Reauthorization
- Repeal of Withholding Tax; Other Federal Tax Changes affecting counties
- Health & Human Services Reforms
- Reauthorization of the Secure Rural Schools and Self Determination Act
- Increased funding for Payment in Lieu of Taxes
- Reauthorization of Federal Airport and Aviation Programs
- Support Efforts to Assist Counties with Methamphetamine Crisis

Initiative to Reduce Impacts of Climate Change

In response to growing member demand, NACo is taking the lead to assist counties as they implement local initiatives to reduce the impacts of climate change. Planning is under way for a climate change campaign that counties can join to access information and assistance and receive recognition for their efforts. Look for information about a Fall 2007 NACo mini-conference for counties about successful local strategies to combat climate change.

County News to be Redesigned

County News, which has a circulation of 29,000, will be redesigned in 2007. The changes include a new layout and design, new typefaces and a new flag – the flag is where the name appears on the front page of the paper.

Enhanced Communications Planned

As part of its marketing focus to find new ways to best serve member counties, NACo is working to enhance communications to reach all members in a timely and efficient manner with essential information. Various methods will be employed to target and deliver the association’s information to ensure that members are aware of new and existing programs and services.

Improvements to IT Systems Planned

NACo is planning a number of changes to its information technology system to improve ease of use, strengthen security and increase efficiency. Among the changes are:

- Replacement of NACo’s association management system in 2007. The replacement software will be 100 percent web-based, providing access to membership data from any location at any time. NACo members will be able to readily access their contact information and activities, and staff will have more flexibility and control in retrieving information from the database;
- Implementation of a unified messaging system that integrates e-mail and voice-mail to improve the efficiency and effectiveness of NACo staff;
- Increasing the network bandwidth which will enable faster response times to the NACo Web site and will enable NACo to provide more collaborative service offerings to its members;
- Strengthening network security to prevent unauthorized network intrusion while enabling staff with the freedom to effectively do their jobs without unnecessary burdens; and
- Providing electronic document management and collaboration capabilities to improve upon the efficiency and effectiveness of NACo staff.
E-Subscription Program Grows

Since August 2006 through the end of May 2007, more than 1,500 visitors to NACo’s Web site have signed up to receive e-mail alerts when new information is added to the site. And there’s been a lot of new information posted during that period. NACo staff have sent more than 48,000 e-mail alerts about new site content in that same period. Signing up for the service is easy to do. Just click on the “esubscribe” button on the front page of the Web site.

Who Visits NACo’s Web Site?

Thanks to a sophisticated web analytical tool installed in April 2007, NACo can track visitors to its Web site no matter where they come from. A typical week will find visitors from India, Canada, the United Kingdom, and several European countries accessing www.naco.org. Here in the U.S., probably to no one’s surprise, most visitors hail from California, Texas, Pennsylvania and Florida.

First NACo Blog Debuts on Web Site

NACo’s 2008 Presidential Election Project grabbed a ‘NACo-first’ when it posted the eponymous “2008 Presidential Election Project blog” (http://nacoblog.blogspot.com/) late in April 2007. The blog features news about candidates and county officials’ interactions with them.

New Search Engine Added

Ever noticed how searches on NACo’s Web site poked along and gave near incomprehensible results. Not anymore. In the first quarter of 2007, NACo Web staff added a new search tool powered by the popular Google search engine. Satisfaction with the new search feature, as measured by an online survey tool, jumped several points almost immediately.

Web Site Enhanced with New Information

During 2006-2007, NACo added to and updated the online Codes and Ordinances; enhanced the Grants Clearinghouse by adding more foundation grant opportunities; added the 2006 Wage and Salary Survey results and the 2006 Operations Survey to the Members Only section of the Web site; and posted more than 300 new Model County Programs.
NACo Ends FY06 with $4.1 Million Surplus

NACo’s consolidated financial operations ended the 2006 fiscal year with a net surplus of $4.1 million – 18 percent of revenue, exceeding budget by a large margin. Revenue came in $1.6 million above budget and expenditures were under budget by 4 percent.

Net income from for profit operations increased 10 percent over 2005. These programs contributed more than $5 million to the NACo bottom line. Counties and parishes saved more than $150 million from the U.S. Communities Purchasing program.

Conference profits exceeded budget by 25 percent, reaching over $600,000 in net revenue. Annual exhibits were the highest ever recorded with 300 booths sold. Grants and awards of $314,000 were made to member counties to promote innovative local projects. Overhead costs came in 6 percent under budget.

Net assets increased 27 percent over 2005, reaching $19.5 million. Reserves reach nearly $18 million.