



NACO *National Association of Counties*
The Voice of America's Counties

ANNUAL REPORT 2008-2009

NACo Executive Committee



The Honorable Don Stapley
President
Supervisor
Maricopa County, AZ



The Honorable Glen Whitley
Second Vice President
County Judge
Tarrant County, TX



The Honorable Valerie Brown
President-Elect
Supervisor
Sonoma County, CA



The Honorable Eric Coleman
Immediate Past President
Commissioner
Oakland County, MI



The Honorable Teresa L. Altemus
First Vice President
Chair, Board of Supervisors
Gloucester County, VA



Larry Naake
NACo Executive Director
Washington, DC

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President's message

Key elements of success: Green Government progress, legislative victories, Restoring the Partnership

Dear Fellow County Official,

What a year to be President of NACo! So much has changed in just one year.

It has been a great honor and privilege to serve you. I have truly enjoyed working with county officials from across the country. With any important position like this, you establish goals for what you want to achieve. I am pleased that we have made considerable progress in a number of areas by helping counties enhance the delivery of services to their residents, improve the relationship with the federal government and strengthen our association.

NACo has achieved more legislative victories in the past 12 months than any year in recent memory on issues like PILT, The Secure Rural Schools Act and the American Recovery and Reinvestment Act. We have established a good working relationship with the Obama Administration and are making progress on restoring the partnership with Congress. These are the critical goals for the Restore the Partnership Campaign.

Due to the economy, the U.S. Communities and other financial service programs have not

expanded this year as much as they had in the past, but they are still solid programs that are critical to the counties they serve and to our association. The NACo Prescription Drug Discount Card Program continues to grow and provide valuable savings to county residents. With the success of that program, we are now planning to offer a dental discount program.

We should be proud of what we have accomplished through NACo's Presidential Initiatives. We planted the seeds for many great things to come. Under my presidency, we all have focused on promoting green government solutions and advocating for federal immigration reform. I continue to believe that a partnership among all levels of government and the private sector can solve the nation's energy, environmental and immigration challenges and ensure future economic growth, and those partnerships are taking place and are bearing fruit.

The NACo Green Government Initiative continues to serve as a catalyst between counties and the private sector to encourage policies and practices that result in financial and environmental savings. This has been phenomenally successful! Over the past year, NACo



hosted more than 20 webinars to educate and assist county officials on all things green, held a County Forum on Energy Independence, and focused on promoting green county fleets. While this was a historically tough year for the auto industry, we continue to view high fuel efficiency and alternatively powered vehicles as products with a purpose that can help counties save money, increase U.S. energy independence, and improve the environment.

“The NACo Green Government Initiative continues to serve as a catalyst between counties and the private sector..”

NACo supports federal immigration legislation that secures the border and ensures an effective system for legal immigration, and I am a passionate advocate for this position. A workable system for legal immigration is essential to the U.S. economy and our individual communities. Illegal immigration, on the other hand, continues to place an unfair burden on county jails, health care, education, and social services across the country. We have worked hard this past year to restore civility to the dialogue about immigration while advocating for prompt Congressional action. While I am disappointed that immigration reform remains unfinished, it is a priority for the Obama Administration. It is uncertain, however, when any reform measures will be proposed. We look forward to participating in the process.

One of the accomplishments of which we are most proud is our effort to strengthen NACo. I appointed a task force to review a wide range of issues including our association’s governance structure, elections, and the responsibilities of the Board of Directors. The task force produced 11 recommendations that were all approved by the Board of Directors.

The changes in the governance structure included reducing the number of elected officers and adding four regional representatives to the NACo Executive Committee. Guidelines for the election of officers were also approved. Some of the changes require amending the bylaws and must be approved by the NACo membership in a vote at the Annual Conference, while others could be implemented immediately.

The vast majority of us believe the changes will produce a number of positive results and more opportunities for county officials to engage in NACo. A number of changes clarify responsibilities and ensure that decisions are clear in the case of Steering Committee actions and elections. The change affecting the cost of elections will certainly enable more county officials to run for NACo office. The expansion of the Executive Committee will enable more members to become more directly involved in running the association – which I believe is good for NACo.

It has been a busy, challenging year, a year in which, for many, their real character and core values have shown through in overcoming adversity and challenges in many forms. But, as I said, it is one that I have truly enjoyed. Thank you for giving me the opportunity to serve as your President.

Sincerely,



Don Stapley
President

Executive Director's message

NACo committed to helping members through tough times

Dear NACo Member,

This has been a tough year for many counties. They are facing budget problems and revenue shortfalls. To compound the problem, demands for county services are going up because, in troubled times, people need health care, social services and help finding a job.

Realizing that these problems have occurred across the country, NACo intensified its efforts over the past 12 months to win key legislative victories, open lines of communication and provide more information that can help counties and their residents overcome difficult economic problems. In addition to legislative successes, our key achievements include the Restore the Partnership Campaign and the "Leading in Tough Times" project, an initiative to provide counties with the tools and resources to lead in tough times.

I am proud of the hard work that we have done to represent counties before the Administration and Congress. Legislative victories include funding for counties through the American Recovery and Reinvestment Act, full funding of PILT through 2012 and enactment

of the Secure Rural Schools Act. But nothing could have been achieved without the cooperative effort of county officials and staff working together.

The Restore the Partnership campaign is making dramatic progress. Prior to President Obama's inauguration, NACo officers and staff had more than a dozen meetings with the Obama transition team. Other meetings followed with Cabinet secretaries and leaders in Congress. There are more indications that the Administration wants to establish a true partnership with county governments.

- NACo President-Elect Valerie Brown was the only elected official besides members of Congress to participate in a health reform at the White House on March 4.
- More than 30 county officials participated in the Recovery and Reinvestment Act Implementation Conference for Local Officials at the White House on March 18.
- NACo staff communicate regularly – often daily – with the Intergovernmental Affairs Office at the White House.



- The President recently issued a memorandum on preemption. The memorandum prohibits preemption of state law by federal departments and agencies except where permitted by law and requires a review of regulations from the past 10 years that include preemption provisions.

We are also focusing our partnership campaign on Congress and are making inroads by briefing Congressional staff on key county issues and laying the groundwork for establishing a local government caucus. These are some important steps and good signs for the future.

“NACo’s effort to provide counties with ‘Tools for Tough Times’ is a clear example of what our association should be doing to help counties.”

NACo’s effort to provide counties with “Leading in Tough Times” is a clear example of what our association should be doing to help counties. Elements of this project include:

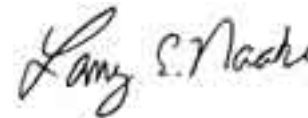
- The series of free webinars on the economy and the Recovery Act;
- A regular column in *County News*, “Tips for Tough Times,” covering a variety of topics associated with the economy;
- Production of a *County News* special pull-out report on foreclosure prevention and response; and
- Enhancements to NACo’s Knowledge Share: Peer-to-Peer Network capacity to address economic issues.

Other programs like the NACo Prescription Drug Discount Card Program, the Green Government Initiative and the U.S. Communities cooperative purchasing program are also assisting counties and their residents.

I am pleased to report that NACo is on solid financial ground. We met our budget goals in 2008 and ended the year with a surplus. As the economy continued to struggle at the beginning of 2009, NACo took steps to trim its budget and look for ways to save in anticipation of revenue shortfalls. These were precautionary steps, and we expect to meet our budget goals this year.

Our association, our members and our country are resilient. The problems facing our country did not happen overnight and they will not go away quickly. The recovery is going to take time. I assure you that NACo will be there to help counties work through tough times and find a brighter future.

Sincerely,



Larry E. Naake
Executive Director

Key NACo Priorities

Restore the Partnership Campaign achieves success with Obama Administration, Congress

The Restore the Partnership Campaign, which seeks to reestablish a working relationship between the federal government and America's counties, has made tremendous gains with the Obama Administration and the 111th Congress.

This campaign began two years ago with the 2008 Presidential Election Project to emphasize the importance of federalism to the American system of government. Clearly, important steps have been taken to reestablishing that partnership and educating the Obama Administration and members of the 111th Congress about county issues and responsibilities.

One of the key aspects of the campaign is the effort of county officials from across the country to meet with Administration officials and members of Congress to discuss not only their county issues, but the importance of this larger partnership. NACo members and staff have succeeded in their efforts to increase the visibility of counties and the issues with both the Administration and Congress.

Action with the Obama Administration

- Successfully encouraged the Administration to include the

- intergovernmental office on policy side, not political.
- Established relationship with White House intergovernmental officials and continue working closely with them.
- Established relationships with Federal agency intergovernmental relations directors and continue working closely with them.
- Met with Cabinet Secretaries responsible for county programs and continue working closely with them.
- Participated with Vice President Joe Biden, Federal agency representatives and 35 county officials in

an all-day session on implementation of American Recovery and Reinvestment Act (ARRA). Also participated on weekly conference calls with Vice President Biden on ARRA implementation.

- NACo President-Elect Valerie Brown was the only elected official besides members of Congress to participate in a health reform meeting at the White House on March 4.
- Four Cabinet Secretaries and two other Administration officials spoke at the Legislative Conference.
- Sponsored a meeting with the White House Office of Intergovernmental Relations and NACo staff and private sector lobbyists representing counties at NACo.



- Held Rural Action Caucus and Large Urban County Caucus briefings with White House and Administration staff.
- The issuance of President Obama’s memorandum on preemption which prohibits preemption of state law by federal departments and agencies except where permitted by law and requires a review of regulations from the past 10 years that include preemption provisions.

Action with the 113th Congress

- Planned and held two issue briefings for Congressional staff focusing on the county role in health care and transportation with an additional briefing possible on immigration.



Capitol Hill briefing on transportation

- Worked with Rep. Gerry Connolly (D-Va.) to establish a Local Government Caucus in the House of Representatives.
- Worked with Rep. Gerry Connolly to introduce legislation to create a “National Commission on Intergovernmental Relations.”
- Met with new members of Congress to educate them on county issues and responsibilities.
- Tracked Congressional action efforts through NACo database.
- Advertised in Roll Call – a Capitol Hill publication – and on WAMU-FM – an NPR station to raise the visibility of county issues and projects.
- Invited members of Congress to appropriate NACo events/meetings.
 - Held a meeting with Speaker Pelosi’s Director of Intergovernmental Relations and NACo staff as well as private sector lobbyists representing counties at NACo Headquarters. (NACo)

Helping counties to Lead in Tough Times

In 2008, NACo members and staff recognized that the association needed to adjust its priorities to meet member needs during the economic downturn and that NACo's support, programs and services would – more than ever – be essential to helping county officials lead our communities through tough times.

At the recommendation of the NACo Programs and Services Committee, NACo began a "Leading in Tough Times" project to provide information, tools and resources to assist counties in managing during the recession – coping with the foreclosure crisis, unemployment, and the impact on county programs, tax revenues and budgets.

The project has included four free webinars delivered in the spring of 2009, in which more than 1,500 county officials have participated. The webinars covered these key issues:

- April 2 – Implementation of the Stimulus Package
- April 16 – Energy Efficiency and Conservation Block Grants
- May 7 – County Budget Strategies during the Recession
- June 11 – Securing the Safety Net and Responding to Social Service Needs

County News has focused significantly on reporting stories that would help its readers "lead in tough times."

LEADING in TOUGH TIMES

Examples of the stories include:

- Incentives reduce county workforces without layoffs
- Ohio county fights foreclosures with land bank
- Workforce Transition Center a boon for job seekers in Henrico County
- St. Lucie County, Fla. declares 'local economic emergency'

In addition, a special section on foreclosure and housing is scheduled to be published in *County News*.

NACo is focused on assisting counties with implementation of the American Recovery and Reinvestment Act, with the goal of providing members with timely, accurate and comprehensive information needed to make full and effective use of stimulus funds.

A special section on the Web site was created, and the Grants Clearinghouse on the Web is regularly updated with Recovery Act funding notices. Weekly conference calls are held to keep county officials informed, provide live access to key federal officials, and identify and discuss what problems or concerns are arising in the Recovery Act implementation process.

At the 2009 Annual Conference, one General Session was replaced with three concurrent sessions on the Recovery Act and the economy. The three sessions are Housing, Employment and the Economy; Energy Infrastructure and Economic Development; and Reporting, Transparency and Accountability: Recovery Act and Beyond.

Much work lies ahead for NACo to assist counties in weathering the economic storm, and NACo will continue to and help counties transition from the recession to a sustainable future. (NACo and NACoRF)

Accomplishments

Key legislative victories achieved on a range of issues

NACo achieved key legislative victories on a wide range of issues important to counties. Those issues included:

- Secure Rural Schools and Community Self Determination Act signed into law
- Payments In Lieu of Taxes fully funded for five years through FY2012. For 2009, more than 1,800 counties received a total of \$381 million.
- AMTRAK Reauthorization
- Mental Health Parity
- Two-year Extension of state-local tax deduction
- Extension of renewable energy tax credits
- Omnibus public lands legislation
- American Recovery and Reinvestment Act of 2009 highlights:
 - Rural Development/water infrastructure
 - CDBG/Neighborhood stabilization
 - Energy Efficiency and Conservation Block Grant
 - Byrne JAG
 - Medicaid relief
 - Rural Broadband
 - Workforce Investment funding
 - One year extension of 3% withholding
 - Census funding
 - Roads, Highways, Airports and Transit funding (NACo)



The first hearing on health reform was held in Maricopa County, Arizona.

Hearings on health reform engage counties in policy discussion

NACo President-Elect Valerie Brown chaired three regional NACo Hearings on U.S. Health Reform in late 2008 and early 2009 in Maricopa County, Ariz., Wake County, N.C., and Sacramento County, Calif. The purpose of the hearings was to engage county officials in refining NACo's national health policy agenda, learn about innovative county health care programs, and bring media and public attention to the county role in health care delivery. NACo is working closely with the Obama Administration and Congress to promote counties' interest in health reform. (NACo)

Drug Discount Program saves Americans more than \$180 million

The NACo Prescription Drug Discount Card Program has grown phenomenally since it was approved by the Board of Directors in 2005. In early June, there were 1,201 counties, parishes and boroughs participating in the program, which represents more than one third of the nation's counties. The totals at the end of May show the program has saved more than \$180 million for county residents on more than 15 million prescriptions. The overall average savings is 23.7 percent. The program has also directly led to more than 200 new county members and has resulted in tremendous media coverage for participating counties. (NACo)



Membership effort achieves new record in 2008 – 2,374 members

NACo county membership totals are anticipated to remain strong in 2009 despite a struggling national economy. In May, NACo had 2,357 members and has shown steady growth of new members throughout the year. Although NACo has lost some members, including some large population counties which have hurt revenue, total membership should end the year close to year-end 2008 totals. At the end of 2008, NACo had 2,374 members which is the highest total in its 74-year history. In addition, NACo ended 2008 with a county membership revenue record of \$4.49 million and tied the all-time record of a 98.5 percent retention rate. (NACo)

Conference registration changed to save money, improve service

In the fall of 2008, NACo became aware that its conference registration contractor would be unable to process registrations for the 2009 Legislative Conference. As a result, a staff team quickly mobilized to develop the capacity to bring the registration operation in-house for all conferences. The process was successfully implemented last November. The in-house registration system is part of the association's membership software and allows more comprehensive record keeping of members' involvement in the association. The new system saves NACo money and provides better customer service to members. (NACo)

Survey finds communications to members has improved

In March 2009, NACo conducted an electronic membership survey measuring members' experiences related to communications, expectations, perceptions, priorities, and participation in NACo. The survey was developed as a follow-up to a 2005 survey to assess and measure change and progress. Highlights of the survey show:

- 49 percent of the members surveyed reported improved communications in the past four years;
- NACo's legislative presence in Washington, D.C. remains very important to members;
- A significant number of county staff are benefitting from their county's membership; and
- The association needs to find meaningful ways to engage younger members. (NACo)

County Meth Prevention Forums provide knowledge, insight

More than 200 county officials attended County Methamphetamine Prevention Forums sponsored by the NACo Research Foundation and state associations of counties in New Mexico, Idaho and Arkansas in 2008-2009. County officials and their community partners learned about innovative county policies and practices to improve meth prevention and treatment. Fifty county officials participated in a follow-up webinar about the community costs of meth in May 2009. The methamphetamine prevention project was made possible through a partnership with the U.S. Department of Justice. (NACoRF)

Third Edition of the County Leadership Handbook Published

In November 2008, newly-elected officials received the third edition of the *County Leadership Handbook*, updated with new content, current best practices and new resources for meeting the challenges and modeling the successes of local leadership. The handbook begins with a basic requirement of leadership in turbulent times and the need to envision the best future for a county and how to make it happen. Subsequent chapters discuss communication, management, technology and finance skills. Distributed first through state associations of counties, the handbook is now available through the "Members Only" section of the NACo Web site. (NACoRF)



NACo holds sixth annual County Leadership Institute

In May 2009, NACo celebrated the sixth class of emerging leaders at the County Leadership Institute, held in New York City in partnership with New York University's Robert F. Wagner Graduate School of Public Service. One hundred and forty selected county leaders from 41 states and 138 counties have completed the program since its inception in 2004. NACo recognizes and values their continuing leadership as they work for positive change through collaboration with local, state and national organizations. (NACoRF)

NACo secures positive media coverage

NACo received positive national media attention in 2008-09 on various initiatives and county government trends:

- National Public Radio and Thompson Reuters reported on counties coping with shrinking revenues; CBS Radio Network on counties going to four-day work weeks; Bloomberg news on county budget cuts, and the *Wall Street Journal* and *Financial Times* on municipal bond market challenges.
- U.S. News & World Report magazine and NPR's Marketplace Morning program reported on NACo's efforts to secure critical funding for counties in the \$787 billion American Recovery and Reinvestment Act of 2009.
- The *Kansas City Star* and *East Oregonian* also

published positive editorials about NACo's efforts to Restore the Partnership.

- During the 2009 Legislative Conference, NACo officers and committee chairs were featured in radio news stories across the country on their advocacy efforts in Washington, D.C. Media markets included Atlanta, Chicago, Dallas, Detroit, Los Angeles, Phoenix, and San Francisco. In all, 93 radio stations aired 220 stories. (NACo)

NACo produces, updates publications to help counties

Several major publications were produced or revised this year. The new publications are:

- *A State-by-State Look at County Revenues*
- *The Role of the County Clerk*
- *Impact of Economy on Municipal Bonds*
- *Impact of the Economy on County Revenue Sources*

The updated or revised publications include:

- *Right Way to Run a Meeting*
- *County Government Structure*
- *What Do County Commissioners Do All Day?*
- *County Government Overview*
- *Glossary of Finance Terms*
- *County Leadership Handbook* (NACoRF)

Knowledgeshare offers valuable resource for county officials

The Peer to Peer Network, which is now called "KnowledgeShare," has received more than 277 inquiries this year. The KnowledgeShare network has reached an all-time high of 360 peer volunteers who are ready to help other county officials deal with specific problems or issues. This

valuable resource for county officials is available through the Members Only section of the NACo Web site. (NACoRF)



Innovative programs

Web-based learning programs offer new way to reach counties

This year, NACo wanted to find a new way to reach members with timely information. Using accessible Web-based software, the staff collaborated to deliver seven webinars and a dozen meetings as part of a pilot project between February and June using Citrix's GoToMeeting/GoToWebinar software.

The timing was perfect for providing information to member counties about the American Recovery and Reinvestment Act (ARRA). Federal agencies were rolling out announcements, guidelines and schedules about ARRA during the first six months of 2009. The Web-based format provided a method for NACo to provide new information about how to access and report on stimulus funds, introduce policy makers and encourage dialogue with members. Four webinars devoted to stimulus and recovery brought more than 2,000 county leaders to the Web classroom. The value of each webinar has been further increased through live recordings that are available through a link on NACo's Web site.



The pilot was able to accommodate three additional webinars targeting methamphetamine use, juvenile justice and rural road safety as well as several advisory group and large group information sessions. The project met its primary goal of providing quality, timely content to a large audience in a short period of time. A secondary goal of reducing travel and time costs attached to face-to-face meetings for both members and staff was also realized. Given the wide acceptance of the Web-based events, NACo will continue to provide Web-based offerings this year and in 2010. (NACoRF)

Online supplier directory helps county officials find vendors

NACo created its first electronic online supplier directory in early 2009 as a new member benefit to assist county purchasing officials in their search for competitively priced products and services. More than 300 suppliers joined the online supplier directory in the first six months, creating non-dues revenues for NACo. More the 700 county officials visit the site each month. (NACo)

County forum promotes energy efficiency and independence

One hundred county officials from across the country gathered in Baltimore, Maryland, in December 2008 to explore innovations for achieving energy efficiency and promote the development of renewable energy resources to grow local economies, reduce dependence on foreign energy sources, and improve the environment. Attendees also discussed strategies to address climate change at the county level. The forum was a project of the Green Government Initiative. (NACoRF)

NACo, *County News* exploring social networking, new technologies

NACo has joined the social networking phenomenon in hopes of reaching members in non-traditional ways. Look for NACo on Facebook, LinkedIn, Twitter and YouTube. *County News* has also launched a Twitter account (www.twitter.com/nacocountynews) featuring updates on *County News* stories and fast breaking news of interest to counties. *County News* is also exploring adding a digital edition of the paper. (NACo and NACoRF)



Leadership for healthy communities

The NACo Research Foundation has been working with the Robert Wood Johnson Foundation to identify and disseminate information about local strategies to reduce the prevalence of obesity. In 2009, six counties will receive specialized technical assistance to assist with local plans that promote physical activity and access to healthy foods in schools, grocery stores and local markets. In May, a group of county officials attended the Leadership for Healthy Communities national summit in Washington, D.C. to discuss policy options with national health experts and other state and local officials. (NACoRF)

Coastal counties restoration initiative awards grants to counties

The NACo Research Foundation awarded in 2008 the first Coastal Counties Restoration Initiative grants totaling \$358,620 to six local jurisdictions. The grants range in size from \$30,000 to \$100,000 and support innovative, high-quality, county-led or supported projects that support wetland, riparian and coastal habitat restoration and removal of passage barriers to fish migration. New grants will be made in 2009 and 2010. The project is a partnership with the National Oceanic and Atmospheric Administration. (NACoRF)

Goals for the future

Health initiative to push for expanding access and reducing costs

President-Elect Valerie Brown plans to make advocacy for national health reform a hallmark of her leadership of NACo. Building on the themes and policy priorities identified during the NACo Hearings on U.S. Health Reform held in 2008 and early 2009, Brown will continue to work with the Obama Administration and Congress to ensure that counties' interests in expanding health access, reducing costs and improving the health of individuals and communities are included in federal health reform legislation. Under her leadership, NACo will also stand ready to assist counties in implementing health reform when it is enacted. (NACo)

Initiative to focus on effective technology use

The vision for First Vice President Teresa Altemus' 2010-2011 Presidential Initiative is to enable county officials to better understand how effective use of technology can help the citizens they serve. The plan is to have one technology event at each major NACo conference to educate county leaders on relevant technology-related issues that enable them to make informed



business decisions. In addition, NACo's Premier Corporate Members will be requested to supply one-time matching grants to counties for demonstration projects. The initiative also seeks to establish leader-follower projects that provide a knowledge base of information sharing that spans all of NACo's focus areas. (NACo)

NACo to launch Dental Discount Program for county residents

In late 2009, NACo will begin a one-year pilot program offering a dental discount card for residents of member

counties. The pilot program will include 30 - 35 counties of various population sizes and representing different geographic regions of the country. The Board of Directors voted in May to approve the program after a two-year study, a formal RFP process, assistance from an outside

consultant and review by a task force of county officials. (NACo)

Recovery Act assistance to include in-depth information

The NACo Research Foundation is working with the leadership of the Obama Administration and federal agencies to be able to provide in-depth information and assistance to counties in implementing federal programs that were funded for the first time in the American Recovery and Reinvestment Act. These programs include, but are not limited to, the Broadband Technology Opportunities Program, the Energy Efficiency and Conservation Block Grant, and Green Jobs Training. Successful implementation of these programs is essential not only to their effectiveness at the county level but also to future federal support. (NACoRF)

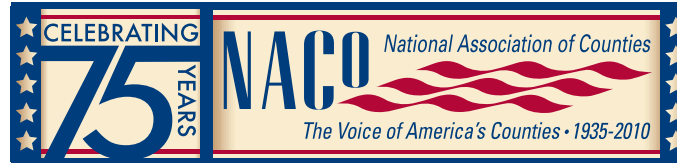
NACo web site redesign underway

NACo staff are actively working on a redesign of the NACo Web site. The goal of the redesign is to make the site easier for county officials to use through improved navigation features and search capacity. Also being considered is the addition of various social networking tools. The site is expected to be completed in early 2010. (NACo)

NACo to celebrate 75th anniversary

In 2010, NACo will celebrate its 75th anniversary and honor and recognize its proud history, heritage and accomplishments. The association was established in 1935.

NACo will also take this opportunity, throughout the year, to look forward and build upon its strengths and membership. (NACo)



Studies underway on county election costs, employee health

The NACoRF is working with The PEW Charitable Trusts to conduct a study of county elections costs. The Carl Vinson Institute at the University of Georgia, NACo's academic partner in the National Center for the Study of Counties, will produce the report for release in late 2009. NACoRF has also partnered with the Carl Vinson Institute to study health benefits counties provide for their employees. The study collected information about the types of benefits and the philosophy of benefit provision from the participating counties. (NACoRF)

Financial Services Corporation highlights

The Financial Services Corporation (FSC) is the for-profit arm of NACo and manages the entrepreneurial activities of the organization. The NACo Deferred Compensation program as well as all of the NACo Financial Services Center programs fall under the corporation.

Accomplishments

- Increased the participation in U.S. Communities Purchasing Program to 36,000 public agencies and non-profits and documented savings of over \$200 million in 2008 for participating public agencies.
- Added three new contracts to the U.S. Communities program, including auto parts and services, large equipment rental services and elevator/escalator service and repair.
- Produced and distributed marketing material via the "Click" marketing kit to state sponsor organizations, national partners, suppliers and the NACo Board of Directors.
- Initiated annual plan sponsor reviews of NACo Deferred Compensation Program to provide input to NACo on education and communications opportunities to help county employees enhance their retirement savings.



- Based on the analyses of an independent consultant, the fixed income option of the NACo Deferred Compensation Program continued to provide the highest rate of return as compared to its competitors.

Innovative programs

- Successfully solicited and launched the Network of Care program, which provides Internet-based information and referral services for aging, public health, behavioral health, foster care, domestic violence, veterans' affairs and electronic learning to the constituents of county government.

Goals for the future

- Working with the U.S. Communities program managers and the Wisconsin Counties Association, the FSC is assisting in the development of a national conduit issuing authority to assist counties and other public agencies finance vital government projects as well as private activities allowed by the federal government, such as health care facilities, affordable housing and alternative energy projects.

Financial information

NACo ended 2008 with net operating surplus of \$1.5 million

NACo's consolidated financial operations ended the 2008 fiscal year with a net operating surplus of \$1.5 million, exceeding the operating budget by \$915,000. Operating income declined 2.3% from 2007, while operating expenses declined by 3.4%.

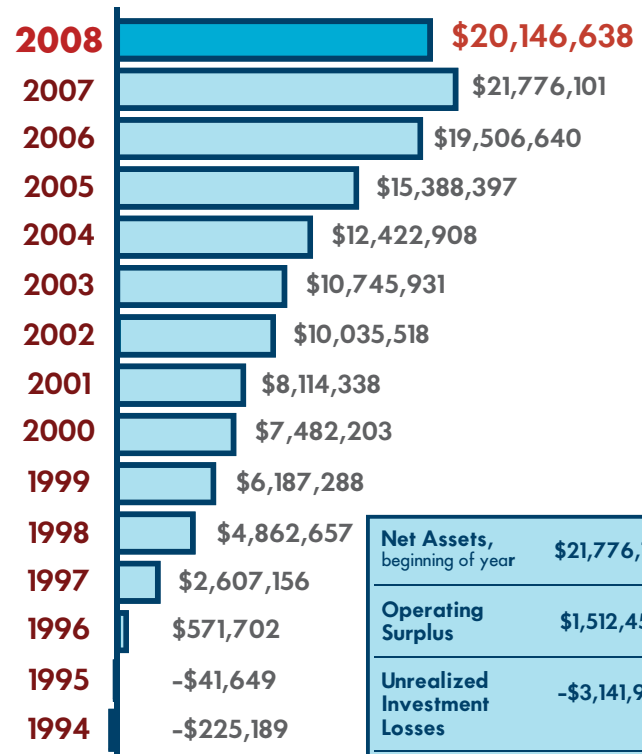
Revenue from NACo's for profit subsidiaries increased 5.2% over 2007. In addition to providing valuable services to local government agencies these programs contributed over \$6 million to the NACo bottom line. During 2008, counties saved more than \$150 million on \$1.4 billion in purchases through the U.S. Communities Purchasing program.

Grant funded programs continued to be a vital part of NACo's operations; however, program revenue declined by 23% to \$1.7 million as several grants were not renewed. Grant funded programs provide grants to counties, educational programming for county officials and research on topics relevant to county officials.

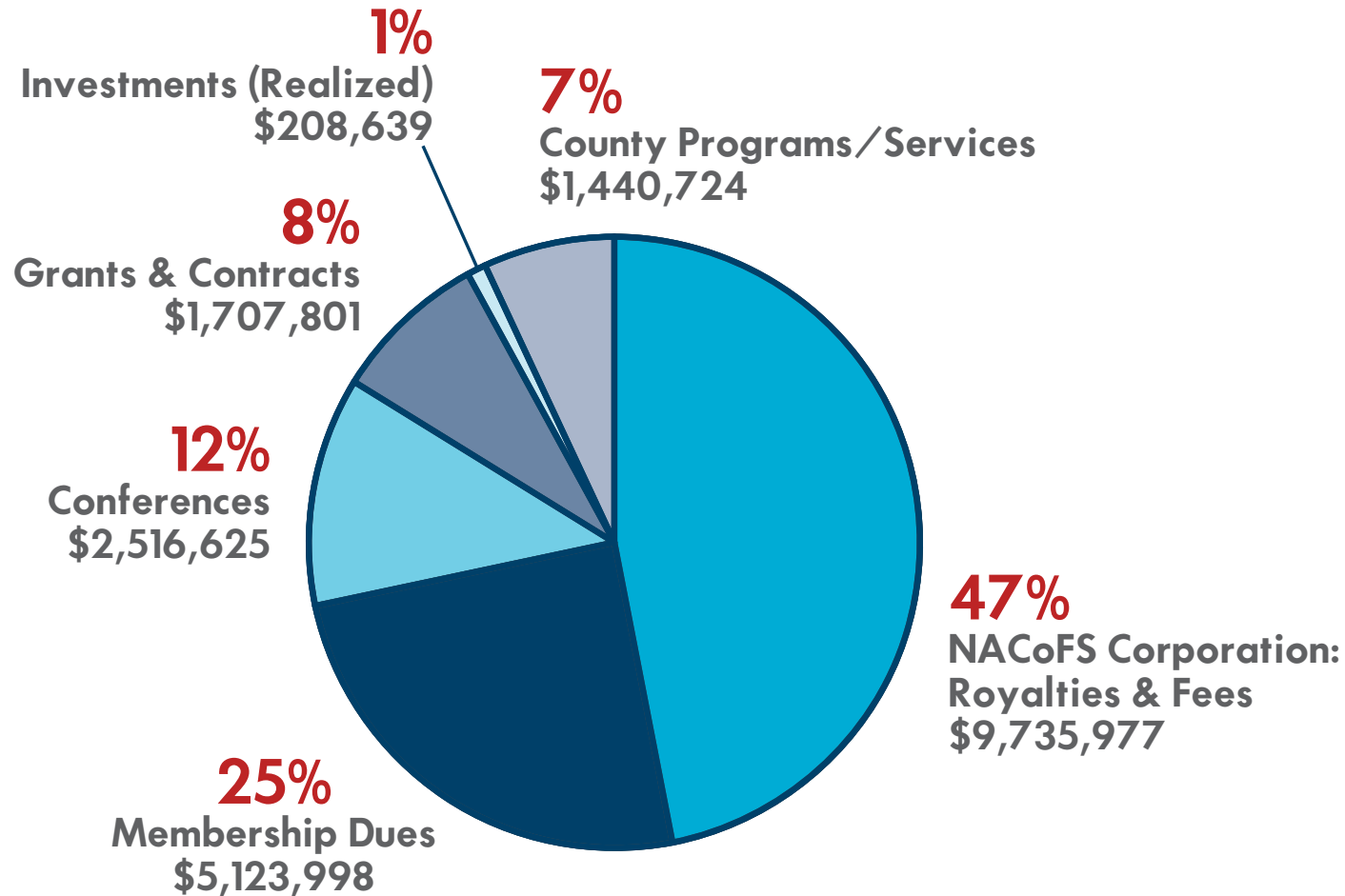
Revenue from county and corporate membership exceeded \$5.1 million as county membership hit 2,374 counties, an increase of 85 over 2007. This continued a membership growth trend that started in 1995, when NACo started the year with 1,704 counties.

Net assets declined by \$1.6 million to \$20.1 million, based on unrealized losses in the NACo reserve investment portfolio. The decline marks the first time since 1993 that the net assets did not increase.

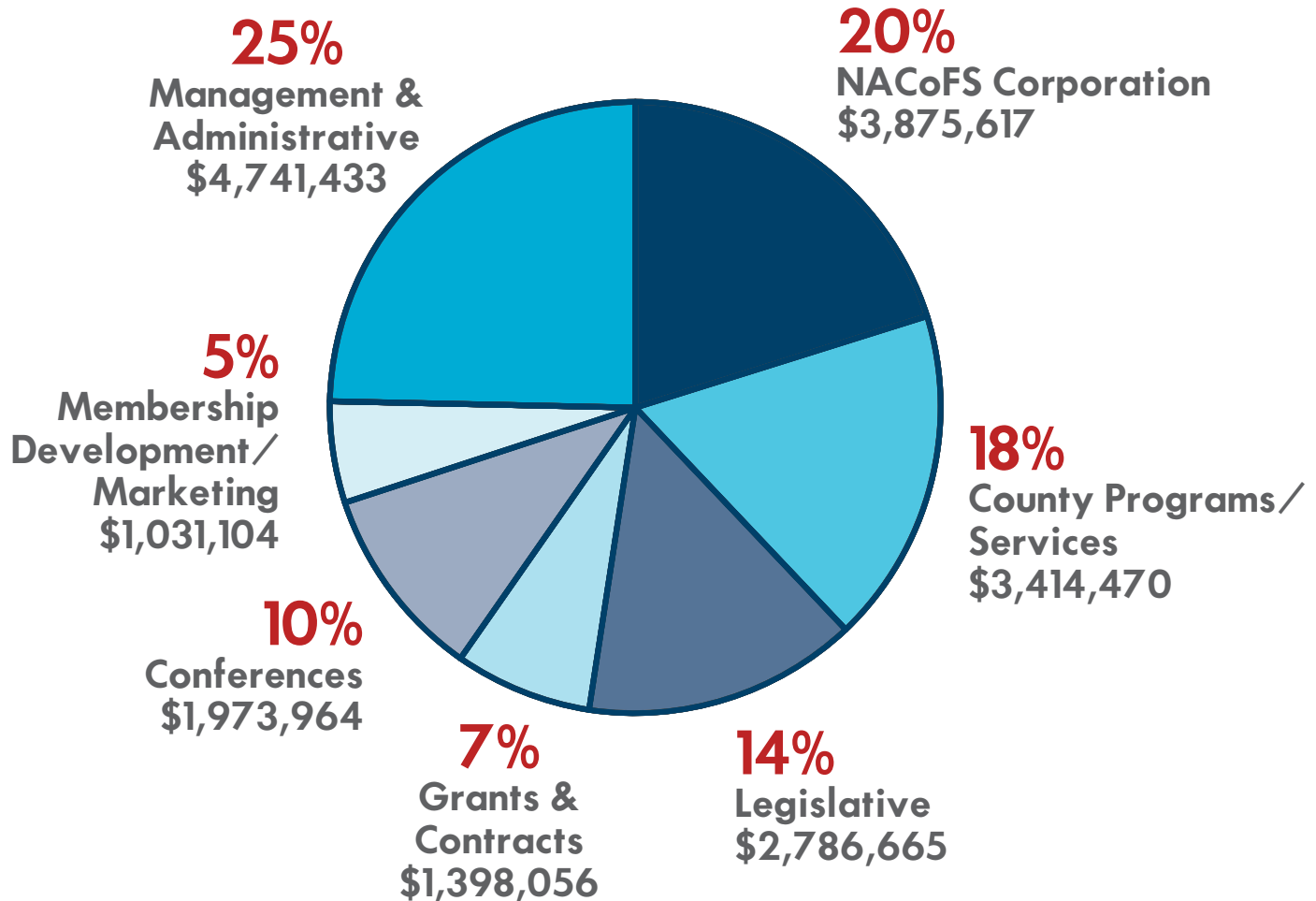
Net assets



Sources of Revenue



Expenditures by program





ABOUT NACo

The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo provides essential services to the nation's 3,068 counties. NACo advances issues with a unified voice before the federal government, improves the public's understanding of county government, assists counties in finding and sharing innovative solutions through education and research, and provides value-added services to save counties and taxpayers money. For more information about NACo, visit www.naco.org.

The 2008 – 2009 Annual Report is a consolidated report of the National Association of Counties and the National Association of Counties Research Foundation. The parenthetical reference at the end of each informational item in the report indicates whether it was the work of NACo or the Research Foundation.

