



## COUNTY OF DUTCHESS

MARCUS J. MOLINARO  
COUNTY EXECUTIVE

### MEMORANDUM

TO: All Legislators

FROM: Marcus J. Molinaro, County Executive

DATE: December 4, 2014

RE: **2015 Tentative Budget**

The 2015 Tentative Budget reflects the work we engaged in together over the last three years to transform Dutchess County Government making it smaller, smarter and more effective. Together, we are working to confront long-standing issues to move Dutchess forward. Together, we are reducing costs and improving programming at the Dutchess County Jail with the installation of temporary housing units to bring county inmates and tax dollars back to Dutchess. Together, we are addressing the need for a comprehensive approach to public and behavioral health services with the integrated merger of the departments of Health and Mental Hygiene. This collaborative work as well as many other efforts over the past three years have enabled us to present a 2015 Tentative Budget that provides the largest property tax levy reduction in fourteen years, stabilizes the fund balance reserve, and ensures a STAR tax rebate check for homeowners (when combined with the proposed levy reductions this equates to approximately 2% in tax relief).

With years of bi-partisan support and ongoing cooperation, we were surprised, and frankly disappointed, to learn the Democratic Caucus had issued a statement criticizing the 2015 Tentative Budget after the bi-partisan Committee vote, after meetings with Legislature leadership, and after the Democratic Caucus declined our offer to meet about any budget questions or concerns they had. It is equally disturbing to read and hear misinformation and distortions, all of which could have been avoided if that caucus simply asked questions or proposed solutions rather than remain silent during the work process. Spreading inaccurate information via web postings and media statements is not productive, creates unnecessary conflict, and is insulting to those who work so hard to respond to concerns and develop the budget. Our goal has been, and continues to be, to maintain an open dialogue where questions can be asked and concerns are addressed.

As much as we want to address every misleading comment and inaccurate piece of information, we know that is not possible. So, below are a few points of clarification for anyone who may have been confused by the statements issued by the Democratic Caucus:

- The amount of revenues collected in 2013, 2014, and projected for 2015 do not exceed the 2012 budget by more than \$107,000,000 as stated. Budget changes were made, authorized and approved by the County Legislature to include *gross* sales tax revenue, including the revenue to be disbursed to the municipalities. This accounting change was made at the direction of the state Comptroller's Office and the County's independent auditors - Drescher & Malecki. Previously, county budgets only included the net county share of sales tax. This was an accounting change only and had no impact on taxation.
- The 2015 Tentative Budget is \$430,000 less than the 2014 modified budget as of November, 2014. The claim that the new spending plan sets an all-time record high is misleading and again shows lack of understanding of how offsetting state, federal and other revenues impact the overall spending plan.
- The assertion that there have been multi-million dollar decreases in both public health and mental health expenditures comes from either a misunderstanding or a purposeful misrepresentation of our financial statements. Financial statements include a wide variety of components such as prior period adjustments, write-offs, claim changes, and other bookkeeping requirements. While the numbers reflected in the financial statement show a decrease in *gross* expenditures in public health (including PreSchool, EI - Early Intervention, DMH and DOH), these reductions were due in part to state changes to EI administration, where direct vendor payments (mandated state programming) are now being handled at the state level rather than the local level. Other changes included the State's shift in service delivery models from day treatment based to personalized recovery oriented services (PROS) for clients with severe and persistent mental illness that enabled the County to reduce costs while providing high quality programming. These changes did not represent a diminishment in services and the 2015 proposed budget provides support for several areas of public and mental health, including opiate and heroin addiction, inmate services and reentry, and others.
- Dutchess County remains at less than 5% of our constitutional debt limit, clearly demonstrating our prudent approach to borrowing. Maintaining the county's facilities, infrastructure, road network and other capital assets must remain a high priority to maintain public safety and avoid emergency projects which will cost taxpayers more in the long-term.
- This administration, in partnership with the Legislature, made a concentrated effort to rebuild our financial reserves by crafting responsible budgets that have not relied on significant fund balance appropriations as in the past. Our continued efforts to drive down costs and control spending have enabled us to successfully replenish the general fund balance, a significant factor in our recent AA+ bond rating upgrade by Standard & Poor's (S&P) which makes Dutchess County the second highest rated county in the state. The 2015 Tentative Budget fund balance appropriation was reviewed with S&P and factored into their upgraded rating.
- While the 2015 Tentative Budget does include a modest appropriation of \$4.2 million in general fund balance, and \$650,000 from other funds, we are committed to maintaining fiscal stability and the recommended goal of 5% to 10% for fund balance as a percentage of the budget. The claim that the budget "sharply drains the fund balance" and "creates a recurring structural deficit" is misleading and disingenuous. Some members of the Democratic Caucus have voted

deficit” is misleading and disingenuous. Some members of the Democratic Caucus have voted to appropriate fund balance as a way to lessen the burden on taxpayers in either local municipal or county budgets, including the 2013 county budget which included a \$5.4 million general fund balance appropriation.

- The 2015 Tentative Budget includes economic development investment to address the decline in the county’s assessed valuation and help bolster economic activity. Growing our tax base is key to our continued ability to reduce the tax burden for our residents and provide critical future funding to areas of need. We live in a state that is not as economically competitive as others and after nine years of recessionary conditions are just now seeing subtle signs of economic recovery. We seek to bolster that rebound by aggressively supporting our tourism, cultural and agricultural industries, market vacant commercial space, and strategically invest in infrastructure to support municipal planning efforts, economic growth and private sector job creation.
- In regard to the 2015 Capital Improvement Program, which some claim is incomplete and not transparent, we remind you that it is a *plan* that identifies the projects recommended to be undertaken, includes estimated costs when available and timing for further consideration. When a project’s cost or timing is unknown, it is listed as TBD – To Be Determined. The Capital Improvement Program is not a budget and does not implement any project or expense. Now, as you all know, only with Legislature action can an individual capital project be approved and moved forward.

If you are referencing the County Justice & Transition Center project, please remember that we are currently engaged in a comprehensive analysis of the criminal justice system, facility and program needs for inmate special populations and evaluation of inmate length of stay as a result of the temporary housing units and new reentry programming. It is premature to estimate cost of the project this early in the process, especially as we also consider specific training, pre-trial, inmate programming, recovery housing and re-entry facilities – all significantly effecting the size and scope of the project. This Project Definition Phase, to include a full review of the criminal justice system and specific questions outlined in the Criminal Justice Council and Ricci-Greene reports was developed with and secured with support from both caucuses.

- Among the more disturbing accusations is that the County’s 2013 fiscal surplus was derived as a result of the sales tax agreement that was entered into in 2013 with cities of Beacon and Poughkeepsie. While I understand any concern municipalities had with our resetting of the base in 2012, the sales tax agreement was negotiated, in accordance with the law, between the County and its two cities, considered by all local municipalities and adopted with bi-partisan support in the County Legislature. It protects municipalities from any future reduction in sales tax revenue below the \$25 million guaranteed base and provides all municipalities benefit from any growth in sales tax through an equitable distribution formula based on population. Further, please recall that the county’s sales tax collection and distribution was threatened by failure to renew an agreement that lapsed in 2005. Taking no action could have resulted in substantial loss of sales tax, costly litigation and fiscal crisis for municipalities. This agreement was adopted after considerable negotiation and bi-partisan approval in city councils and the County Legislature.

Our new agreement and growing partnership with municipalities has enabled realignment of costs, expanded shared services and greater consolidation of government. Some conveniently dismiss the multitude of savings the County has also provided to the local municipalities since the sales tax agreement was reached. Dutchess County took back the full cost of elections, providing over \$700,000 in annual savings to the municipalities; expanded the opportunity for municipalities to participate in the County's Self-Insured Workers' Compensation Plan providing significant municipal cost reductions; and offered other shared services such as website development, purchasing and contract administration, printing and copying, and emergency management.

Additionally, we established the competitive *Municipal Consolidation and Shared Services Grant Program* which provided up to \$2 million in 2013, \$1 million in 2014 and \$1 million proposed for 2015 to incentivize consolidation and improved efficiency for municipalities. These grants have been welcomed by the municipalities and have provided them opportunities to pursue collaborations and projects that save money and/or deliver greater services to their residents. The additional \$1 million in 2013 was specifically included as part of a bipartisan legislative amendment to assist those municipalities who felt the greatest impact from the sales tax change, namely the two cities.

I have always believed that taxpayers and voters alike want their government to function effectively. In the end, we aren't elected to surprise or combat one another. Some may wish to focus on how to score a few political points or attack the "other side." We do not.

We have worked diligently throughout the budget process and these last three years to have an open, productive dialogue that produces the best possible outcomes for our residents. We have engaged in meaningful interaction and sought compromise when it makes sense. Our work, together, over the last three years, has been recognized and recently praised by S&P who wrote, "*We view the county's management conditions as strong. The county's conservative budget practices and budget monitoring, with regular reports submitted to the board, are strengths.*" And also by *The Poughkeepsie Journal* which described the 2015 budget proposal as a "*solid financial blueprint.*" We are grateful to all those who have worked together, whether through constructive criticism or earnestly seeking common ground. The 2015 Tentative Budget as amended is indeed a sound financial plan; it includes policy you have voted for and reestablishes this county's fiscal security.

Thank you for allowing me to clarify a few of the inaccurate statements being made. I thank you in advance for your support of the 2015 Budget and look forward to working together in the months ahead.