

TRANSFORMING COUNTY GOVERNMENT

Year One: 2013

Marcus J. Molinaro
Dutchess County Executive

Establishing a budget is more than setting appropriations and revenues, it is piecing together the many components of our government in a way that reflects our principles and meets the expectations of those we serve. Our 2013 Tentative Budget addresses current fiscal and economic realities while setting in motion a multi-year transformation of County Government. We seek to reform and improve service delivery by carefully analyzing all that we do and find ways to do it better. While this has been and remains an ongoing process, to achieve our goal we must think and act differently than we have before.

President Ronald Reagan said, “status quo, you know, is Latin for ‘the mess we’re in’.” The dictionary defines it as the “existing state or condition.”

In either case, we find ourselves dissatisfied with the status quo. Continued economic strife, resulting in far too many unemployed and underemployed, seems insurmountable. Our businesses struggle, farmers work harder, families confront new difficulties, and government at every level in New York State is, in many ways, outmoded, outdated and overwhelmed by the complexities of the day.

The public expects government to work together. At all levels of government, partisanship, point scoring and personal attacks have poisoned the public discourse. Everyone must understand sacrifice is necessary and accept that we are “all in this together.”

Together, we seek new opportunity and demand improvements in the way government functions. We work to create a stronger economy for our residents, employees, small businesses and farmers. We want a better quality of life, clearer sense of place, and improved character of community for those who live, work and raise their families here.

I am certain we have the ability to define the future of our county, invigorate and inspire the best in us, and, without doubt or hesitation, reinvent government.

With all this in mind, I present to you the 2013 Tentative Budget and offer with firm resolve and absolute clarity, this simple message - ***Governmental status quo is unacceptable and 2013 is “year one” in our multi-year effort to transform the way we do business.***

Transformation is the process of changing composition or structure.

Government cannot be all things to all people. Dutchess County Government can and must identify core functions and provide them well. By applying basic decision making principles, we can work towards eliminating inefficiencies while improving service delivery, resetting expectations, embracing transparency, engaging stakeholders, establishing clear outcomes, infusing competition and measuring performance.

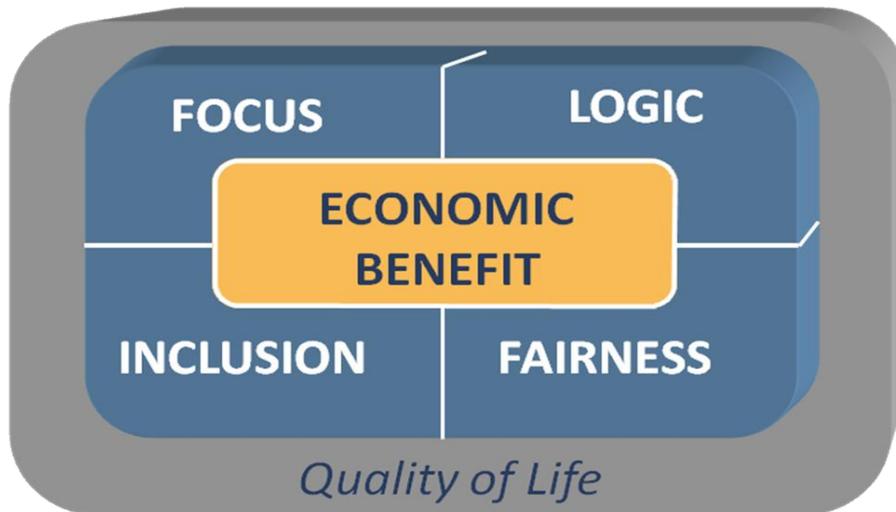
By employing the process we have outlined we not only establish fiscal stability in 2013, but ensure prudent financial stewardship in the years that follow. In so doing, we strike a balance. A balance

between revenues and expenses, a balance between expectations and outcomes, and a balance between the services needed and desired with our taxpayer's ability to pay.

Decision-Making Principles

In my 2012 State of the County Address this Administration outlined four decision-making principles that help establish that desired balance. **Our goal: Apply these principles without pretense or prejudice to enable greater economic benefit and enhanced quality of life.**

Our **focus** is on the most efficient delivery of core county services, balancing the expectations of our stakeholders while limiting the burden on our taxpayers. We have been **inclusive** by considering and including in our analysis and development internal and external stakeholders who contribute to and are impacted by the decisions we make – from departments to municipal officials; from government entities to non-profit organizations; and, most importantly, from the County Legislature to the public at large. We have applied common sense and **logic**, thoroughly researching issues and applying fact-based assessment in directing our actions. Lastly, in all things we sought to review and determine the **fairness** of our decisions.



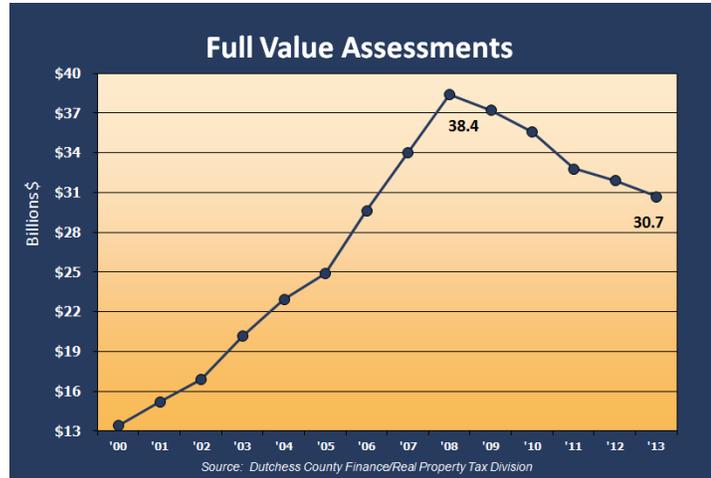
As you consider this 2013 Tentative Budget you will find these principles applied consistently throughout. They are designed to remove the partisanship, hollow rhetoric and political point-scoring that all too often paralyzes government. By incorporating these principles in our service together, we can mold the consensus crucial to successful democratic governance.

In this governance, I ask for your continued partnership; to continue working together to achieve a fair, balanced and workable budget; to begin to transform our government and secure a foundation from which we can grow and provide for our county residents, our county employees and our county's future. It is time to challenge the status quo and transform County Government. And, we begin our work now, in 2013.

Economic Outlook and a \$40 Million Gap

Dutchess County Government faced an initial projected budget gap of \$40 million, while at the same time indicators show our local economy continues to be challenged:

- The County's tax base continues to decline, down \$1.2 billion from last year and \$7.7 billion from 2008 to \$30.7 billion as a result of the downturn in the residential and commercial construction market, overall decline in home values as well as the reassessment activity over the past few years at the municipal level;
- Unemployment remains high at a year-to-date average of 8.1 percent compared to the 2007 annual average of 4 percent prior to the economic downturn;
- Client caseloads in the Department of Social Services have increased 67 percent since 2007, from 28,354 to 47,340 at the end of September;
- State mandates continue to be one of the highest cost categories in our budget with a projected cost of more than \$129 million in 2013;
- State pension costs for 2013 total \$22.3 million, an increase of \$1.5 million from this year and up \$13.9 million since 2009, even with 266 fewer employees;
- Health insurance costs are projected at \$24.4 million and have more than doubled over the past ten years, despite a decrease in the workforce;
- Foreclosures were at 534 through the first half of the year; if this trend continues it could mean an increase in foreclosures compared to last year; and
- The median sale price for a single family home is down 23 percent since 2007, with the current median sale price at \$250,000 for the month of September and the year-to-date median at \$248,750.



We confront our challenges with a wide range of cost containments, spending reductions and proposals to restructure entire components of County Government.

A New Way of Thinking

Indeed the times are difficult and the path ahead riddled with uncertainty. I bring to my new role and this important responsibility of County Executive the experience earned and relationships developed while serving with then-Legislative Chairman Brad Kendall, as Chairman of the Legislature's Budget, Finance and Personnel Committee. While my perspective may be different today, having had to consider a budget and cast a vote as a member of this legislative body keeps me mindful of the delicate balance and respective roles we now have in achieving the same goal: How best to serve the people.

The development of the 2013 Tentative Budget has been highlighted by unprecedented partnership between the Executive and Legislative branches. As we considered policy initiatives we held regular leadership meetings, sessions with the two caucuses of the Legislature, and informational workshops to discuss our basic philosophy, the thematic elements we intended to propose and the structural components you now find within the budget document. This dialogue, whereby we solicited your ideas and comments throughout the development of this tentative plan has not only proven helpful, we believe it has established a new standard for analysis, budget preparation and the way I hope we will conduct ourselves as we together serve the people of Dutchess County.

Chairman Rob Rolison, Majority Leader Dale Borchert, Minority Leader Barbara Jeter-Jackson, Assistant Majority Leader Angela Flesland, Assistant Minority Leader Alison MacAvery, and committee chairman Jim Miccio, it is not an exaggeration to suggest that we have improved, if not begun to redefine democracy in Dutchess County.

A Multi-Year Approach, Year One

The reality is the completion of our goals will not be accomplished in 2013 rather we have embarked, together, on a multi-year transformation of County Government.

We firmly believe that the 2013 Tentative Budget submitted to you will effectively begin this transformation, and over the next several years re-establish fiscal stability, create the environment necessary to meet the needs of our county residents and establish an improved and sustainable economic foundation. The 2013 budget is our first step in “right-sizing” this government to weather the storms of today while providing us the agility to meet future service demands and minimize the burden on the taxpayers of Dutchess County.

As we began this transformation my initial focus was on the Executive and Budget offices. Although separate cost centers, these make up the hub of County Government where operations are planned, monitored and directed.

Earlier this year, we established the position of Deputy County Executive, because it was logical. When the County Executive needs to be out of the County, instead of appointing three successive department heads as Acting County Executive, we now have a “charter established” procedure whereby the Deputy assumes those responsibilities ensuring continuity in the operations of County Government. It just makes sense.

In 2013, we continue to apply logic to a long overdue issue regarding the County’s Communications Director. Technically the County’s Communication Director is in the title of Research Analyst in the Budget Office. This budget reclassifies the position to the correct title of Communication Director and moves the position to the Executive’s Office. This is a move that lends transparency and legitimacy to the role. This change is more than offset by the elimination of what was commonly referred to as the “third assistant to the County Executive,” an elimination that will produce \$120,000 in savings annually.

Our efforts to transform County Government start in the Executive Office. I am thankful to all my staff for the work they do every day to make certain County Government continues to function efficiently and effectively.

The volume of work produced by this staff is remarkable. Since taking office, we have initiated significant outreach resulting in a major increase in phone calls, emails, letters and in-person visits. We continue our research and analysis, with many new ideas, suggestions and opportunities being presented for us to digest. Our countywide budget survey was well received and has opened up new lines of communication with the public. We have also increased interaction with website enhancements such as “Dutchess Delivery,” a fiscal tool called “Dutchess Dashboard,” and a newly designed and better integrated webpage.

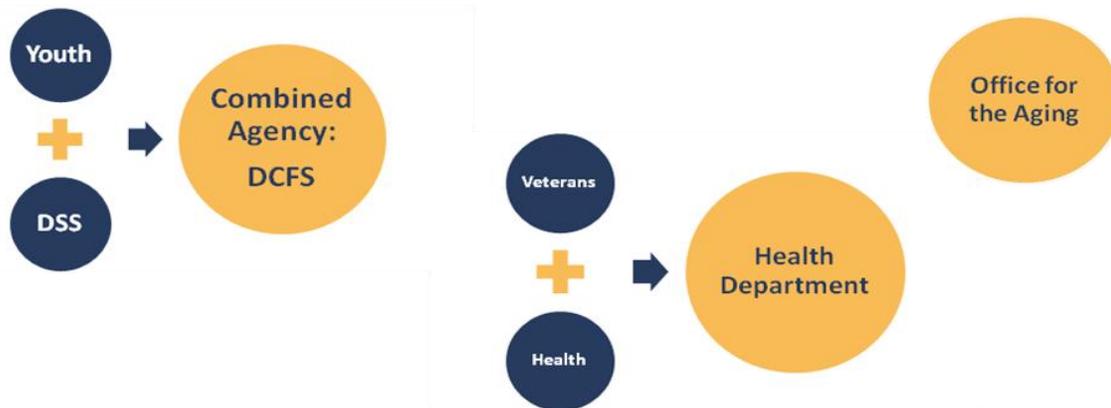
The Executive and Budget staff are engaging with individuals and organizations in an unparalleled manner requiring increased analysis, research and response - we are indeed doing more with less. In fact, we have the lowest number of staff in the combination of the County Executive and Budget Offices than any of the surrounding counties in the Hudson Valley region.

Consolidations and Reorganizations

As we worked to close the projected \$40 million budget gap we considered a number of departmental consolidations and reorganizations. Applying our decision-making principles and balancing the economic benefit with the service impact on quality of life we made decisions that put Dutchess County Government on a multi-year path to a better fiscal posture and improved service delivery.

Reorganization of Services for Aging, Veterans and Youth

To better balance available resources with the unique needs facing seniors, veterans and young people, we are reorganizing the current Department of Services for Aging, Veterans and Youth (SAVY). Two of the SAVY divisions, Veterans and Youth, will be realigned with other county departments, while the Aging division will once again be a stand-alone county department known as the Office for the Aging. These realignments will preserve the critical services provided by each agency to each unique population, and in the process will reduce county costs through operating and administrative efficiencies. The realignments will also meet the stringent state and federal requirements that each agency must follow.



Division of Veterans' Services

The Division of Veterans' Services will be affiliated with the Department of Health as a separate division. Veterans' Services will maintain its unique identity and have self-contained office space as part of the Department of Health's relocation to 85 Civic Center Plaza. This move is projected to save the County more than \$500,000 over the next five years. This realignment will provide Veterans' Services with

greater administrative support such as payroll, invoice processing and filing, allowing veterans' counselors to spend more time addressing veterans' issues. Health-related issues are one of the primary reasons veterans contact the Division of Veterans' Services, particularly returning combat veterans who are dealing with issues of post-traumatic stress as well as aging veterans who have changing healthcare issues. Support from the Health Department will help streamline the health claim submission process which can speed up the approval process greatly for a veteran who needs medical services.

The new office location provides greater exposure and public access, with a direct entrance, ramp access for those with disabilities, and expanded free parking for veterans. The new office, which opens on Wednesday, November 7th, features a warm, welcoming reception area for our veterans and a better floor plan for greater workflow efficiency. The new location sends a clear message to our veterans that they are a priority for Dutchess County Government and we intend to meet their needs.

Division of Youth Services and the new Department of Community & Family Services

The Division of Youth Services will become a separate division within the Department of Social Services. The entire department will be renamed the Department of Community and Family Services (DCFS) to reflect youth services as well as the overall department's focus on providing assistance leading to long-term independence and sustainability for individuals and families.

Under DCFS, Youth Services will have greater administrative support as part of a larger agency allowing youth counselors to address a broader range of youth needs. There is also the potential for enhanced revenue streams for youth as the transition moves forward. Additionally, these agencies are jointly responsible for the administration of the Child and Family Services Plan as required by New York State. Consolidating Youth into the new DCFS will help identify and meet the needs in the Child and Family Services Plan with a more streamlined approach for families, allowing them to better access needed resources and services.

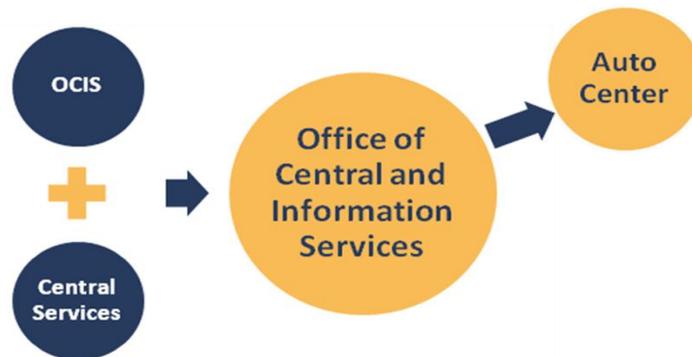
Return of Office for the Aging

The Division of Aging Services will once again be a stand-alone department, known as Office for the Aging (OFA). Funded almost entirely by state and federal revenue streams, there are very specific requirements for the Office for the Aging to be an independent agency. With the County's senior population (60 and older) having grown nearly 30 percent between 2000 and 2010 according to census data and today one in five Dutchess County residents are seniors, OFA can be singularly focused on the needs of this growing demographic, including rapidly emerging issues such as long-term care, health insurance information and the impact of Alzheimer's on caregivers. Mary Kaye Dolan, who has served as Acting Commissioner of SAVY over the past year, will serve as the Director for the Office for the Aging and will continue to chair the Health & Human Services Cabinet.

Initial consolidation of Aging, Veterans and Youth into a single department, in 2011, produced a savings of over \$1 million. This new move serves as a continuation of the process designed to preserve services to each of these special population groups. The three agencies will continue to take advantage of the working relationships developed over the last two years as members of the Health & Human Services Cabinet.

Consolidation of the Office of Computer Information Systems & Central Services

The Office of Computer Information Systems and the Division of Central Services share common focus and goals – providing support and services to other County Government departments so they can more efficiently and cost-effectively deliver programs and services to the public. The primary mission of the Office of Computer Information Systems has been to use computer technologies to provide services to county agencies and provide e-Government internet based service for use by the public, local businesses and other government agencies. Central Services' primary mission is assisting county departments by providing services cost-effectively through central purchasing, contract administration, printing services, mail service, telecommunications, inventory control, and central billing. These common missions make the consolidation of these two departments into the Office of Central and Information Services, the new OCIS, a logical approach.



The consolidation, under the able leadership of Commissioner Tim Mahler, focuses on service improvements, sustainability and new collaborations that will result in long term county savings. In 2013, personnel savings will total nearly \$300,000, as a result of management re-organization and the reduction of three positions. It will allow for greater integration of services; internally with County Government departments improving workflow and productivity, and externally with municipalities making use of new technology, creating shared services and other collaboration opportunities.

Among the long-term goals and expectations for the new consolidated OCIS are:

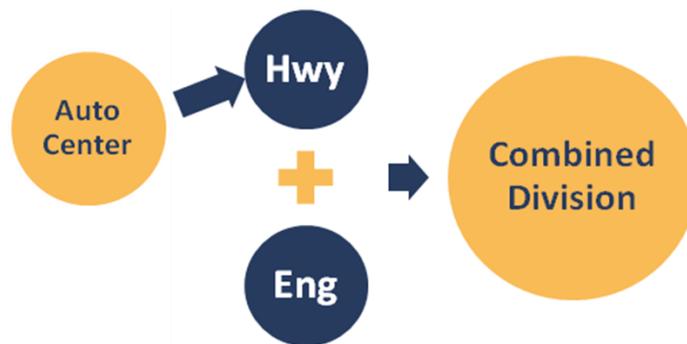
- Added efficiencies for county departments: OCIS is pursuing a multi-year implementation of an Enterprise Content Management (ECM) system used to manage information, provide improved inter-agency collaboration and workflow for a broad range of documents and related data. This will reduce paper usage throughout the County for documents and reduce space demands in the County's Record center. The merger of these two departments in partnership with Clerk Brad Kendall, who serves as the County Records Management Officer, will help as we move to implement this new program.
- Expansion of shared services with municipalities: We will focus on working with local municipalities to promote the cost benefits of the County's printing services, automotive fuel purchases and County contracts for commodity purchases. There will also be opportunities to collaborate in Workers' Compensation and Health Insurance consortiums as well as other services.

- On-line services and information enhancements for residents and businesses: There will be a continued push for public outreach via electronic communications and providing more accessible, open government with expanded information offerings on the County’s website.

The new OCIS will provide efficiencies to a smaller County workforce, shared services for local municipalities, new on-line services and information for residents and future initiatives to continue to reduce County operational expenses while creating new revenue opportunities.

Multi-Year Reorganization and “Right-sizing” of Public Works

The reorganization of the Department of Public Works (DPW) is a multi-year process targeted at reducing the size of the organization by nearly 15 percent over the next three years and reducing annual operating budget expenses as well as a reduction in capital expenses. Savings from 19.5 FTE, including salaries and benefits, are expected to total nearly \$1.5 million in 2013 alone (including four FTE from the Workforce Adjustment Incentive Program totaling \$336,000). The goal of the reorganization is to: streamline operations for efficiency and cost-savings; develop public-private models for service delivery; and eliminate redundancy of services.



Public Works is one of Dutchess County Government’s largest and most diverse departments. It is among the most visible and identifiable departments for county residents, providing the services people value most such as snow removal, road repair, park and recreational amenities, and more. However, Public Works is also one of the County’s largest cost centers. This multi-year transformation will help ensure Public Work’s services remain sustainable for the future while also ensuring we are providing these services in the most cost effective manner.

DPW currently consists of five major divisions: Highway Maintenance and Construction, Engineering, Buildings, Parks, and Aviation.

Over the years, DPW has grown from basic infrastructure repair to a full scale construction company, a classic case of ‘mission creep’ that has become very costly to sustain. By integrating our service delivery and consolidating the organization to be more agile and flexible, we can more effectively meet the needs of our residents, both functionally and economically.

In 2013, we begin a comprehensive search for a new Commissioner of Public Works. We are grateful to Robert Balkind, who serves as Acting Commissioner of Public Works since the retirement of Charles Traver in July. Bob has been instrumental in crafting and beginning implementation of this reorganization plan building a strong foundation from which a new Commissioner can build.

Our proposal gets Public Works re-focused on the basics of infrastructure repair and maintenance. We will seek new opportunities to partner with those outside of the County Government including local municipalities and the private sector when they can deliver a project more efficiently and at a lesser cost; or where responsibilities can be distributed to reduce overlap and provide greater efficiency at all levels.

In 2013, this reorganization includes several major initiatives providing annual operating budget savings in the next few years through improved workflow, elimination of personnel services redundancy, and a reduction in overall staffing levels. Rest assured, DPW will continue to maintain a high level of core services to the public while focusing on improved overall efficiency through the following initiatives:

Centralized Business Office for All Divisions

In 2013, business office staff and functions will be consolidated into a centralized location to reduce redundancy and streamline business office functions such as contract maintenance, invoice processing, supply inventory as well as payroll functions. Payroll functions will be modernized with the expansion of an electronic timekeeping system to all divisions, replacing hand-written time sheets and punch clock systems and allowing for improved benefit time tracking. Currently, the electronic timekeeping system is used in the Highway and Engineering Divisions only. In 2013, it will be expanded to the Parks, Buildings, and Aviation divisions.

Reorganization and Consolidation of Highway and Engineering Divisions, & Auto Center Realignment

In 2013, Highway and Engineering will be consolidated into one division. These two share similar responsibilities in the design, construction, maintenance, and rehabilitation of the County's 395 miles of roads, 140 bridges, and 178 drainage structures. The management structure will be realigned and consolidated to provide better coordination and streamlined oversight with a reduction in the number of management positions.

Highway crew work assignments will be restructured during winter operation and the summer construction season to allow for currently vacant positions to be eliminated while still providing essential highway maintenance services. For example, crew deployment will be altered to reduce travel time to and from work sites, providing workflow efficiencies. There will also be a greater focus on outcome based objectives to determine when private contractors or local municipalities may be able to provide greater savings and efficiency as compared to a County in-house effort.

Also as part of this effort, the County's Auto Center, currently part of Central Services, will be merged into the Department of Public Works Highway and Engineering Division. This is a logical realignment as the Highway Division is already responsible for the management and oversight of the Highway and Engineering equipment maintenance garage, and employs mechanics, garage supervisors and related support staff.

Parks Division

- Parks Division will work in partnership with the new Highway and Engineering Division to increase efficiency for park and rail trail maintenance and repair.

- Exploration of expanded revenue opportunities for park resources such as private communication towers in remote areas of various parks.
- Exploration of a joint venture with the Department of Environmental Conservation (DEC) to create a forest stewardship plan to improve forest management while providing the County with a possible new revenue opportunity.

Aviation Division

- Evaluate costs/benefits of public vs. private management of Dutchess County Airport.
- Initiate a new management model to enhance the economic benefit of the Airport.
- Evaluate all building and ground leases to establish proper lease rates and terms.

Buildings Division

- Consolidation and realignment of the Buildings Division supervisory structure, reducing staff by two.
- Relocate the Building Division management and office from the County Office Building on Market Street in Poughkeepsie to the Highway Operations building at 626 Dutchess Turnpike in Poughkeepsie. This will centralize DPW administration and improve office space utilization in the County Office Building.
- Continuation of county buildings assessment and space utilization review to maximize efficiency and reduce costs.

Public Defender Office Realignment and Responsibility Changes

The Public Defender's Office has been impacted by major changes at the state level. Dutchess County Government has developed a plan and approach which maximizes potential revenues and significantly reducing expenses. For many years, all the County had to do to access New York State's Indigent Legal Services Fund (ILSF) was to show that the County had spent one dollar more in local expenditures on indigent defense than the year before. In 2010, the ILSF sent the County just over \$1 million with no strings attached.

In the 2010 – 2011 State budget, the State created the Office of Indigent Legal Services (OILS) to oversee the distribution of the ILSF money. OILS commenced a grant based distribution system in 2011 that is being phased in over multiple years. In 2013, Dutchess County will receive 50 percent of our ILSF money through direct allocation with the other 50 percent to be obtained through a grant submission. By 2015, the entire ILSF fund will be based on a grant system. The ILSF grant funding must be used to increase the quality of indigent representation and it cannot be used to supplant (replace) current county expenditures.

Dutchess County's Approach

In 2011 the County spent over \$2.6 million in assigned counsel payments to private attorneys to provide indigent defense under Article 18-B of New York State Law. The County has established the Public Defender Family Court Unit in an effort to both draw down the grant funding and reduce Family Court assigned counsel costs which were increasing at an unacceptable rate each year.

In 2012 the county approved hiring two attorneys and a secretary for this unit. In 2013, the budget adds three additional staff members (two attorneys and a secretary) to the Unit. And in 2014, we expect to again request two additional attorneys.

Other Opportunities for Grants and Savings

Independent of OILS, this budget also proposes an innovative shared services approach to dealing with conflicts. A conflict case arises when there are co-defendants in a criminal action or where the Public Defender's Office has previously represented one of the clients or witnesses. We are requesting the County Legislature support a pilot project to handle conflict cases in the criminal courts. We are proposing an inter-municipal agreement with Ulster County to handle 400 conflict cases in Dutchess County in exchange for Dutchess County providing the same in Ulster County. In order to implement this program, we propose hiring one additional Senior Assistant Public Defender with some additional associated costs for travel, expert witnesses, etc. The pilot project would be limited to the City of Poughkeepsie Court and County Court. Savings will result because the Public Defender can handle a case at approximately 50 percent of what the County pays a private attorney.

In future years, we project additional cost savings measures could be implemented in the area of indigent defense through the following measures: add an additional public defender to handle parole matters; continue to expand the Family Court Unit; and expand the conflict relationship with Ulster County.

Projected cost savings in 2013 to Dutchess County are contingent on obtaining funding from OILS and adoption of the inter-municipal agreement with Ulster County. The estimated grant funding totals \$411,000 and the new structure projects a savings of \$666,000 in assigned counsel costs.

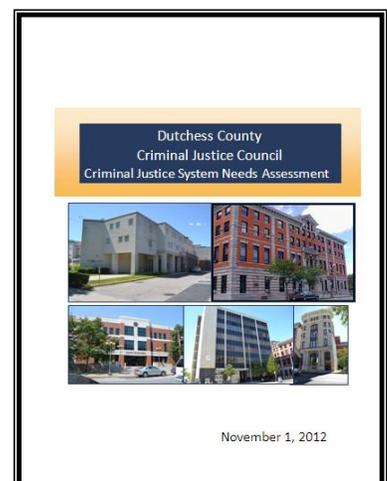
Major Initiatives

The 2013 Tentative Budget addresses major issues confronting Dutchess County Government, such as the County Jail, solid waste management, mental health services and the intensifying of our economic development efforts. We believe that in each of these a new business model must be employed in order to reduce cost, improve service delivery and adequately meet the needs of our residents.

In each instance, the expense of the various options must be clearly understood and weighed against the opportunity for potential revenue and/or economic value of the future environment which today's actions are expected to create. These initiatives are each a necessity if we are to comprehensively address larger challenges and engage in a multi-year transformation of County Government. Additionally, each represents an opportunity to solve problems whose critical mass has risen to the level of immediate concern and are in need of diligent address.

Dutchess County Jail

The Dutchess County Jail is a major component of the annual operating budget of Dutchess County Government. In 2013 the total jail budget is approximately \$36 million or about 9 percent of the overall County budget. \$26 million of that, or 72 percent, is for personnel including wages,



benefits and pension costs. The cost for “housing-out” inmates in 2012 is expected to reach \$7.2 million. The 2013 budget includes approximately \$5.6 million for fees to other institutions, personnel costs and the expenses for transportation. The Jail has exceeded its budget for these expenses repeatedly over the past several years as the inmate count has continued to climb.

The *Criminal Justice Council Needs Assessment* report on the Dutchess County Criminal Justice System was finalized with the collective efforts of Director of Probation and Community Corrections Mary Ellen Still, Jail Administrator George Krom, Acting Public Defender Tom Angell, and District Attorney Bill Grady. The report recommends building a new jail facility which will provide significant annual savings as a result of a more efficient inmate to staff ratio, while enhancing services to reduce recidivism. Pursuing a new jail built at an alternate site will lead to New York State Commission on Corrections approval of leasing temporary housing pods to be located on the North Hamilton Street property. This will allow approximately 200 inmates to be returned from the many county jails throughout New York where they are currently housed, back to Dutchess County. This could provide an annual savings of up to \$4 million.

Although many approvals are needed, it is our expectation that this option can be implemented by mid-year with a potential \$2 million in operational savings in 2013. Therefore, the budget realizes \$2 million in cost avoidance for housing out costs. Should this option not move forward, and inmate population remain constant, it is likely additional funds will need to be appropriated. Working with Sheriff ‘Butch’ Anderson, we can proceed with a new jail facility that will present a multi-year savings and a long-term structural adjustment to the cost of operating the Jail. Additionally, having inmates reside locally will enable us to meet our moral obligation to provide rehabilitation services meant to reduce recidivism.

Solid Waste Management

The management of solid waste is an area that can benefit from a more business-oriented approach. Costs associated with the Resource Recovery Agency (RRA) and “Waste-to-Energy Facility” have been a drain on the County budget and unnecessary burden on the county taxpayers over the last several years with Net Service Fees (NSF) reaching as high as \$6 million. In 2013 a focused effort led by Solid Waste Coordinator Lindsey Carille and the Executive Office with the board of the RRA has enabled us to reduce the estimated NSF to \$2 million. Over the next few years, we project the elimination of the NSF and potential for a revenue contribution to the County from the Waste-to-Energy plant operation.



A new Solid Waste Division has been created under Lindsey’s direction. Working with the New York State Department of Environmental Conservation (DEC), she has developed a Local Solid Waste Management Plan (LSWMP) that will help guide and direct our activities for the next ten years. It focuses on increased recycling and ensures an economic model that will take advantage of our valuable asset, continue to provide the public with the best alternative for dealing with solid waste but not require additional tax dollars. This draft LSWMP is pending with DEC and the County Legislature will need to consider then adopt it in the near future.

Mental Health Services

The net county cost of mental health services in Dutchess County has been and remains an extreme outlier compared to other counties. The 2012 adopted budget for Mental Hygiene services in Dutchess County was double and triple the cost of other counties with substantially larger populations. This coupled with the state's closure of the Hudson River Psychiatric Center (HRPC), Medicaid Redesign, the Affordable Healthcare Act, and behavioral health within managed care, makes the current structure unsustainable.

To address this, we are redefining our model to divert people from in-patient hospitalization and prevent other forms of institutionalization. The cornerstone of this new diversion model is the Mobile Crisis Intervention Team. Interfacing with the County's mental hygiene programs, other county departments, and local community service providers we aid adults, families and children in crisis and help prevent the need for costly and disruptive institution placements.

Thanks to State Senator Steve Saland's advocacy, \$1.5 million in state funding was made available to help with this transitional change and to address the impact of the HRPC closure.

The County began in 2012 with a two prong approach to address the cost by converting our Continuing Day Treatment Program to a Personal Recovery Oriented Services (PROS) model using our community partners and closing the County run outpatient clinics and transitioning patients to private practice or non-profit run agencies. Additional dollars secured by Dutchess County in the current State Budget has enabled a seamless transition ensuring individual patients receive the care they need from a community based service provider. The 2013 budget reflects the full year impact of these model changes. We are confident our prevention, diversion and intervention efforts bolstered by the HELPLINE, will help mitigate some of the demand with much less costly yet more effective solutions.

Our newly created external *Health and Human Services Advisory Team* provided an independent review of our Diversion Plan and will continue to review future mental health programming. Dr. James McGuirk, Executive Director and CEO of Astor Services for Children & Families, serves as Chairman and this multi-disciplinary advisory team includes broad representation of mental health and human service providers. Together, we will re-structure our mental health delivery system to meet the needs of the community within the context of the new funding reality. We will not waiver in our commitment to high standards of care.



In the center of the room, the workman, bearded and bald, sits on top of a 10-foot ladder, changing the fluorescent lighting tubes. Below, the room was dim with old frayed sconces and the energy of meeting new people. The workman's presence was un-planned, but apt. This was the beginning of a one-day conference, Imagine Dutchess, where all kinds of people, hungry for change, were coming together -- to see Dutchess County in a new light. This day of ideas grew out of the decision of the Dutchess County Health and Human Services Advisory Task Force, and was run by People, an informal advocacy group for people with mental health needs that keeps the person served at the center of the

As a result of the Team's work, a portion of our transition funds was allocated to the not-for-profit PEOPLE, Inc. to engage in a planning process

entitled "Imagine Dutchess." On October 1st, "Imagine Dutchess" brought together key stakeholders in health, mental health, and supportive services. They were asked what an ideal system of care would look like and accepted the challenge of helping to create such a system. Their work will continue in 2013.

Dutchess County has led this state in many ways when it comes to caring for those with mental health needs. The Department of Mental Hygiene is to be commended for their work in saving lives and providing dignity and help to so many. However, our efforts must be weighed against economic and national health policy realities. Coordination,

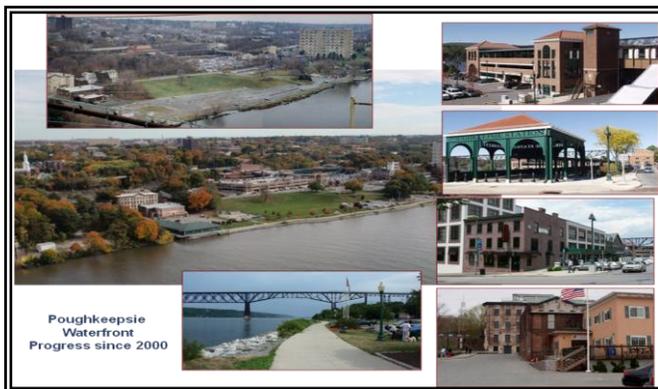
integration and a focus on preventive care can help divert hospital admissions, rapid re-admissions and incarcerations. As we develop this new approach with our community partners, we expect to see better outcomes, recovery for clients and additional support for families while bringing costs more in line for our taxpayers.

In 2013 we will reduce the net county cost for the Department of Mental Hygiene by \$1.1 million including the reduction of 34.67 FTE's totaling 83.55 FTE's for 2012 and 2013 combined.

Economic Development

As important as our local governments and not-for-profits are, we must not forget those which sustain them and drive our local, state and national economies: our private businesses. Members of our diverse business community – whether a multinational corporation in East Fishkill, a glassworks firm in Millerton or a deli in Poughkeepsie – must see County Government not as an obstacle, but as a partner and facilitator.

That is why we created the 4RFuture Economic Development Plan. Led by our Deputy Commissioner of Strategic Planning and Economic Development, Ron Hicks, the 4RFuture plan focuses on four crosscutting strategic goals: reform, retain, reinvest and recruit. Together with members of the 4RFuture Economic Cabinet, Ron is working to coordinate, consolidate and fundamentally reform our internal and external resources, and how they respond to and assist our local governments, not-for-profits and most importantly, our business community. The plan also seeks to: retain our businesses, our workforce, and both the young and more senior members of our community; reinvest county-wide in our downtowns, commercial corridors, infrastructure, and existing industrial space; and finally, recruit new business and investment into our existing commercial and industrial spaces.



One project in the works that encompasses all four strategic goals is the redevelopment of the City of Poughkeepsie Waterfront. An unprecedented partnership, funded by the Dyson Foundation, between three municipalities, several private land owners and not-for-profits, two colleges, two State departments, and two public authorities, led by Dutchess County Planning and Development, this transit oriented development (TOD) project has the potential

to foster a transformational effect on our County economy, and quite possibly, resurrect the grandeur of our once thriving County seat.

Other significant projects in the county benefitting from the principles of the 4RFuture plan include Cricket Valley Energy, Dover Knolls and Madava Farm's Crown Maple Syrup in the Harlem Valley, and the Culinary Institute of America's new Marriott Pavilion and a proposed full service hotel on campus in Hyde Park. These projects represent a total investment greater than \$1.3 billion, over 2,200 construction jobs and more than 500 new permanent jobs.

Additionally, funds have been secured through the Dutchess County Industrial Development Agency for a business attraction, arts and tourism promotion campaign.

The 4RFuture plan is an ongoing and inclusive effort, essential to our sustainability and prosperity that will evolve to meet the needs of our economy and our community.

Sales Tax Cap & Municipal Collaboration

As was presented to the Dutchess County Supervisors and Mayors Association, the Legislature's caucuses and the Dutchess County Regional Chamber of Commerce, the 2013 Tentative Budget caps sales tax distribution at \$25 million. By doing so, Dutchess County will be in a better position to preserve County programs and services with the unique opportunity to promote municipal collaboration and shared services all while aiding in the close of the County's budget gap without a significant property tax increase or reduction to services that benefit all communities county wide. The impact to the municipalities of the sales tax change will be partially offset with:

- The 50 percent reduction of 2011 and 2012 Board of Election (BOE) costs along with the full take back of BOE costs starting in 2013 whereby cities and towns will no longer be required to pay for their prorated expenses. This represents a \$1.4 million in savings to our municipal partners.
- A municipal competitive grant program with a 2013 total amount of \$1 million for incentives to consolidate and share services.

Dutchess County has created the "Municipal Consolidation and Shared Services Grant Program" to support local government efforts to improve efficiency, reduce costs, share successful outcomes, and promote economic development. The primary goal of this \$1 million grant program is to reduce the total cost of local government through increased efficiencies and the elimination of unnecessary or redundant services, resulting in smaller, smarter government. Utilizing our Community Development Block Grant (CDBG) structure within the Department of Planning and Development to identify and award funds, this grant program will provide support to municipal projects to establish shared services, eliminate duplicative services, and for the planning and implementation of consolidation between two or more local governments.

While incentivizing municipal collaboration, this policy decision to cap the sales tax distribution also allows us the ability to identify new shared service possibilities. The Administration, with the approval of this budget, will continue to explore cost-cutting shared services such as:

- a public employee health insurance consortium;
- workers' compensation consortium;
- public transportation strategies including DIAL-A-RIDE and expanded LOOP service routes
- a law enforcement summit to begin a collaboration study; and
- a County-wide Fiscal Analysis and Strategy Team (FAST) led by Comptroller Jim Coughlan to further identify ways for our cities, towns, and villages to partner with County Government to save even more taxpayer money.

A push for municipal collaboration and shared services will have a long-term positive impact on our County. Going forward, the Administration will convene a sale tax distribution task force to re-examine the current distribution of the sales tax to municipalities. The current sales tax sharing contract with the

Cities of Poughkeepsie and Beacon expired in 2005. Many municipalities have sought consideration of a new model and we believe the current model requires adjustment. This task force will be comprised of city, town and village officials as well as representation from both branches of County Government and will address the current formula and consider options for the distribution of growth in sales tax revenue going forward with a focus on fairness.

As with other elements of this budget, we will not support providing funds without any expectation of outcome. Municipalities that produce outcome based initiatives with real results will be rewarded and this policy decision gives us the ability to incentivize real organizational change. The public expects us to rethink the way government functions, our budget survey suggests strong and broad support for consolidation of layers of government and the elimination of duplicative services so, the time has come to hold each of us to the highest level of expectation. A transparent competitive process will produce accountability and savings to the taxpayer.

County-Municipal Partnership

Dutchess County has a robust partnership with its twenty towns, eight villages, and two cities. Still, there is a lot we can learn from each other and do better, together. This year County Government began to improve this partnership by working with local governments to provide better services in the following areas:

- **Health insurance:** One of the biggest challenges to face any organization is the rising cost of healthcare. Dutchess County, like other public organizations, must balance higher premium costs against the quality of service and employee expense. In 2013, with costs approaching \$25 million, this Administration will address this challenge head-on by establishing an internal committee coupled with an industry expert to initiate an evaluation of health insurance options.
- **Workers' Compensation:** The Dutchess County Workers' Compensation Program covers medical and wage expenses for employees injured while in the scope of employment consistent with the regulations set by the New York State Workers' Compensation Board and General Municipal Law 207a (firefighters) and 207c (police). An expansion of this program to Dutchess County municipalities will begin in 2013 and is "experienced based" which means the municipal employers will only contribute to the level of their claims experienced in a "pooled" budget for expenses.

Working with Mayor Randy Casale, Dutchess County is partnering with the City of Beacon on a pilot program to provide a shared Workers' Compensation plan that could realize a 40 percent decrease in premiums for that municipality. Municipal employers can achieve greater savings by taking advantage of the County's safety programs offered by the Office of Risk Management. Municipalities, like Beacon, will submit their claims to Risk Management, similar to the process with a commercial insurer. Potential savings to municipalities via a County partnership in regard to Workers' Compensation can be significant.

- **Public transportation:** Dutchess County is assessing the cost-benefit of having the LOOP system expand into the City of Poughkeepsie and become the sole public bus provider. A transportation industry expert is conducting a service analysis in the City of Poughkeepsie as part of a broader public transportation strategic review that will be completed in the summer of 2013. As part of this public transportation strategic review, Dutchess County is also assisting the City of Beacon with

options for a Main Street bus line that connects the business district with popular destinations such as the Metro-North train station, Dia, and the Roundhouse at Beacon Falls while looking for ways to enhance existing fixed routes that connect to areas east and north of the City. Dial-A-Ride services are also being examined as to how they can better meet the needs of individuals and communities that count on the transportation. As the public transportation strategic review is complete and routes are adjusted accordingly, the Administration will launch a new branding campaign with community input.

CDBG Program

Dutchess County Government has been involved in the Community Development Block Grant program and directed millions of dollars to municipalities for many worthwhile infrastructure projects, housing and handicapped accessibility projects. In addition to our continued administration of the CDBG Program, in 2013 we will become the administrator for the City of Poughkeepsie's CDBG program, enabling the City to reduce its staff by one and realize expense reductions. The review process for CDBG grants, under the auspices of the Department of Planning and Development has proven very effective and will continue with some modification as described in the Agency Partner Grant Program below. And, for the first time in program history all twenty towns, eight villages and two cities are affiliated and participating in our program, certain to assist us in securing additional federal funds for critical local projects.

Agency Partner Grant Program

Some contract agencies receive their funding directly through the County budget process without having to bid for funding. Traditionally, the County Executive proposes a Tentative Budget that allocates funding for contract agencies based only on available data and past practices, but these decisions are limited by time and funding constraints. The County Legislature reviews the Tentative Budget with much focus on contract agencies as these agencies lobby legislators for additional dollars. A culture has developed where contract agencies and County officials perpetuate the status quo, whereby those agencies that were funded in the past are funded annually regardless of the evolving needs of the community, new gaps in service within County Government, and changes in the outcomes produced by these agencies. In short, the current structure for funding contract agencies lacks a focused, logical, fair, and inclusive process for awarding service contracts.

The "Agency Partner Grant Program" has the goal to create a process by which Dutchess County awards funding to contract agencies based on unmet resident needs and outcomes. Further, this is a comprehensive effort to make the nonprofit funding process more consistent with the County's federal and state competitive grant processes. While not-for-profit (or contract agency) funding levels remain constant in the 2013 Tentative Budget, we no longer propose funding these agencies as line item allocations. Instead we become a purchaser and consumer of services with its agency partners through a transparent competitive grant process.

The Administration, taking into consideration input from the Dutchess County Coalition of Nonprofits as well as the Health and Human Services Cabinet, has identified particular needs and clustered them into three category areas where nonprofit services could help County Government meet community needs in a more effective and efficient manner. The three category areas are:

1. Economic & Cultural Benefit Programming;
2. Health & Human Service Prevention & Intervention Programming; and
3. Environmental Sustainability & Services Programming.

Traditional agencies will be funded one quarter of their 2012 amount for the first quarter of 2013. The new program will be effective April 1, 2013 through March 31, 2014. The 2013 budget will include 75 percent of the program year contract amount with 25 percent included in the 2014 budget.

Request for proposals (RFPs) will be issued by the Department of Planning and Development in cooperation with the OCIS Division of Central Services, identifying the service that the County hopes to supplement or deliver. Like the Municipal Consolidation and Shared Services Grant Program, an amended CDBG advisory committee will review applications and make recommendations. The CDBG advisory committee will incorporate three additional members as it undertakes this new task. The new additions will be the Majority Leader of the Legislature or his/her designee, the Minority Leader of the Legislature or his/her designee, and the Chair of the Health and Human Services Cabinet who will represent the County Executive.

The Fund Balance

As you know, the County ended 2011 with an audited general fund balance of \$18.1 million, a decrease of \$11.8 million from the 2010 year end audited fund balance of \$29.9 million. This number must be viewed in the context of the total \$408.3 million proposed budget, the current fiscal picture and economic climate, as well as other fiscal challenges which will impact fund balance now, next year and beyond.

<h2>General Fund Balance</h2>	
	<i>Millions \$</i>
2013 Proposed Budget	408.3
Unappropriated Fund Balance at end of 2011 (<i>audited</i>) *	18.1
<i>2012 Estimated Impact to Fund Balance:</i>	
PBA Arbitration	(1.7)
BOE Chargeback Shortfall	(0.58)
Jail Housing Out Costs	(1.5)
Other Departmental Shortfalls	(1.0)
Projected Sales Tax in Excess of Budget Estimate	1.0
Replenishment	4.0
<i>2013 Estimated Impact to Fund Balance:</i>	
General Fund Balance Appropriated in the 2013 Proposed Budget	(5.4)
Projected Remaining Fund Balance:	12.9
Fund Balance as a % of Budget	3.2%

The projected remaining fund balance of \$12.9 million is only 3.2 percent of the County’s \$408.3 million proposed operating budget, remaining below the recommended five to ten percent range for fund balance as a percent of budget. We will be vigilant in maintaining and rebuilding reserves to weather the impact of increased costs for state mandates, rising energy costs, utilities, and debt service to maintain the County’s assets and infrastructure.

Dutchess County Government continues to demonstrate very strong credit worthiness, as confirmed by Moody’s Investors Service Aa1 bond rating in December 2011. However, the importance of rebuilding fund balance is greater than ever as Moody’s has qualified its ratings for Dutchess County Government with a “negative” outlook, reflecting Moody’s opinion that “further declines (of fund balance) outside of what is expected or the use of reserves will put further pressure on the county’s rating.” The County’s strong Aa1 bond rating is at risk of a downgrade, which will lead to an increase in our 2012 borrowing costs. With several important capital projects on the horizon, ranging from infrastructure and building maintenance needs to a potential jail facility construction, this is a risk we cannot afford.

The 2013 Tentative Budget proposal will not resort to “one-shot” solutions or “budget gimmicks” that are often used. Depleting the fund balance to fill the budget gap is a one-shot solution and only serves to push aside problems rather than addressing them. The 2013 proposed budget strikes the appropriate balance in the application of fund balance to provide the fiscal stability our taxpayers deserve.

Fund Balance Applied	
Fund	Amount
General Fund- A	\$ 5,400,000
Road Fund- D	750,000
Machinery Fund- E	200,000
Public Transportation Fund- ET	69,500
Self- Insurance Fund- S	1,000,000
Total	\$7,419,500

Workforce Adjustment

Over the past five years, workforce costs have increased more than \$20 million from \$153 million in 2007 to more than \$173 million for 2012. Despite 203 position reductions over the past four years, workforce costs continue to rise due primarily to increasing state pension costs, health insurance, and overtime costs incurred for housing our inmates in jails outside of Dutchess County.

Earlier this year, working with CSEA and its President Liz Piraino, we proposed and the County Legislature adopted a “Workforce Adjustment Incentive Program,” a voluntary employee separation program designed to minimize the impact of layoffs while reducing operational expenses. The program provided 72 eligible County employees with a one-time \$20,000 payment for voluntarily leaving County service by November 30th. The proposed budget includes the offsetting deletion of 56.75 full time equivalent (FTE) positions to achieve the needed savings. This program provides a benefit for long-term employees who have been dedicated to serving the residents of Dutchess County, and helps lessen devastating program cuts while reducing the number of potential layoffs in the 2013 budget.

Sadly, despite reorganizations and consolidations, this budget may result in 7 layoffs. Human Resources will work with these individuals should they be laid off to assist them in identifying other county employment opportunities.

<h1>Workforce Adjustment Incentive</h1>			
By Department			
Incentive Approvals		Offsetting Deletions	
Finance	1	Finance	1
Comptroller	2	Comptroller	2
County Clerk	3	County Clerk	1
County Attorney	1	County Attorney	0
Human Resources	5	Human Resources	2
Central Services	2	Central Services	2
OCIS	2	OCIS	1
Sheriff	1	Sheriff	1
Probation	8	Probation	5.75
Health Department	9	Health Department	10
Mental Hygiene	11	Mental Hygiene	9
Public Works	4	Public Works	4
Social Services	21	Social Services	17
Planning	2	Planning	1
TOTAL:	72		56.75

*Note: Two incentive approvals offset by reduction in Temp Help
Twelve incentive approvals offset through other deletions due to restructuring*

The Workforce Adjustment Incentive Program saves an estimated \$4.3 million in 2013 with a projected \$24 million in savings over the next five years.

Other workforce reductions resulting from our strategic restructuring and consolidation initiatives will provide an additional reduction of 46.41 FTE positions and will save an estimated \$2.5 million for 2013 and nearly \$14 million in projected savings over the next five years.

	2012 Cost \$ Million	2013 Savings \$ Million	5 Yr Savings \$ Million
Workforce Adjustment Incentive	(1.25)	4.30	23.76
Other Workforce Reductions		2.50	13.84
Total:	(1.25)	6.80	37.60

Overall, the 2013 budget proposes a total workforce reduction of 103.16 FTEs, going from 1,823.38 down to 1720.22 FTEs, the lowest level in thirty years. The combined savings from these reductions total an estimated \$6.8 million in 2013 and nearly \$38 million in savings over the next five years.

Property, Sales, Hotel & Mortgage Recording Tax

New York State enacted legislation in 2011 establishing a property tax cap for all local governments. The property tax cap requires growth in the property tax levy be capped at two percent or the rate of inflation, whichever is less. The cap may actually be higher than two percent as exclusions and adjustments can drive variations. The County Legislature can override the tax cap by passing a Local Law with 60 percent approval, prior to adoption of the budget.

Dutchess County's tax cap, filed with the New York State Comptroller's Office on October 26th, allows an increase in the property tax levy of \$2.39 million or 2.3 percent based on the State's formula. The 2013 proposed property tax levy of \$105.9 million is an increase of \$2.1 million or two percent, which is under the property tax cap threshold.

To close an initial \$40 million budget gap and maintain structural balance now and in the future, the budget assumes your approval of the continued sales and hotel taxes at current levels and a proposed 0.5 percent county mortgage recording tax (all requiring state legislative action). Based on a July 1, 2013 effective date, the mortgage recording tax will provide an estimated \$4.8 million in revenue to help fund important programs and services. Should we see enactment of this one-time mortgage recording tax by April 1, 2013 we will propose distributing 20 percent of this new revenue to the towns, villages and cities of Dutchess County based on assessed valuation – with annual distribution thereafter. As a community increases their tax base they can increase their share of the revenues distributed – again, our focus on improving economic benefit.

The mortgage recording tax is a one-time payment at the time of closing. Just as continuance of current sales and hotel tax rates, implementation of the mortgage tax requires "home rule" authority from the New York State Legislature. Our proposal includes a request for a "first time homebuyer" exemption and will likely be subject to a sunset provision. Based on recent discussions with our County and State legislative leaders, we are confident there is support for this proposal.

Absent the county mortgage recoding tax, the additional \$4.8 million needed to balance the budget would increase the property tax levy to \$110.8 million, an increase of 6.7 percent, well above the established 2 percent property tax cap and beyond what we believe taxpayers would accept. Through extensive dialogue with municipalities, key stakeholders and the public, we know a property tax increase of that level is not acceptable. The Mortgage recoding tax revenue provides us the ability to close a \$40 million budget gap, stay within the property tax cap, and balance our resident's demands for service with their ability to pay.

Conclusion: Our Moment to Transform the Way in Which Our Government Functions

In so many ways, government has become outdated and outmoded for the challenges of today. The 2013 Tentative Budget is meant to address these deficiencies and set in motion a forward-thinking, hopeful agenda of measurable improvement for the residents, businesses and families of Dutchess County. We have reviewed and evaluated the very structures of our local government. We are relying on the experience and talent of those from within and new perspectives from those stakeholders outside County Government. In response we have challenged ourselves to think and act anew.

On December 29, 2011, in my Oath of Office Address, I asked the residents of Dutchess County, and all of you, to assist in answering the questions: Who are we as a people? How do we hope to live? While a budget doesn't complete the answers to those questions, it does represent our principles, goals and expectations.

We cannot live with the status quo any longer and there is no better time to confront the challenges of our day. This is our moment to transform the way in which our government functions. Our mission is as clear as it is compelling: By learning from our past, building on our successes, staring down the challenges of our day, and committing to a multi-year approach – we can, and we will, climb out from under the routine, break our 'business-as-usual' mentality, and end at long last the status quo that impedes reorganization, consolidation, and transformation.

This budget begins that transformation; it seeks new efficiencies, produces new savings and engages in new partnerships. And, with your consideration and approval redefines our work, helps answer those two questions and will improve the quality and character of our community.

Thank you for your partnership, participation and shared service to the people of Dutchess County.