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County Executive

*Office of*

*The Dutchess County Executive*  
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November 1, 2009

**To Chairman Higgins, Members of the Dutchess County Legislature and Residents of Dutchess County:**

We are in the midst of the most challenging budget and financial circumstances I have experienced anytime in over 30 years of public service. Dutchess, like most county governments, faces serious financial challenges of declining revenues, mandated and non-discretionary spending requirements and the continuing damage from the overall economic downturn. All of these factors together make the 2010 Executive Budget even more difficult than 2009, and the expectation is it may get worse before it gets better.

Counties across New York State are proposing various options to deal with the losses brought on by the economic recession. Among options considered by counties include program and service reductions, restructuring, consolidations, shared services, elimination of vacant and occupied positions, as well as property and sales tax increases for 2010.

We have reviewed available options in the context of the overall budget, the current fiscal climate and present and future needs of our county government and our residents. The dominant principle established in my first 2010 budget development meeting with my senior staff was **no property tax increase**. That quickly led to a second principle which was **we must reduce spending**.

**Higher county property taxes and higher county spending cannot be justified or sustained in this recession.** At a time when local families and businesses are struggling with their own fiscal pressures, having lost jobs or in jeopardy of job loss, not receiving raises or seeing their wages cut back, a property tax increase can be enough to break them.

That is why the 2010 proposed budget freezes the property tax levy and reduces spending below the 2009 modified budget of \$401.4 million, despite an initial unprecedented \$50 million budget gap. This \$398.9 million budget attempts to maintain basic services, and does so with **53 fewer employees than in 1987**. The "story line" that somehow the county government is a bloated organization is a myth as proven by a smaller workforce than 24 years ago, even in the face of significantly increased demands.

For the second consecutive year, we are confronted with a decrease in the county's 2010 tax base; this year it is lower by **\$1.6 billion** due to declines in the housing construction market, the overall decline in home values, as well as the reassessment activity over the past few years at the municipal level.

Dutchess County's share of the property tax bill is very small, accounting for approximately 14% of the average homeowner's annual property tax bill, the remainder of which is comprised of school taxes, municipal (town, village or city) property taxes and special district taxes (e.g. , fire).

During my 18 year tenure as County Executive, we have experienced ups and downs in the economy and it has had varying impacts to county government services. But whether we were in a period of growth or retraction, we have always set a standard to do 'more with less' through technology enhancements, successful partnerships, and best practices along with good old fashioned hard work and teamwork.

County employees have responded well, and I am proud to lead an organization of innovators and high achievers, respected around the state for our collaborative and effective approach to service delivery. Our impressive list of national and state awards and recognitions validate this performance.

**However, as I said last year when proposing the 2009 budget, the fiscal reality is even clearer now than ever – the money simply does not exist to sustain government as it exists today. In 2010, county government can no longer continue doing more with less; we must do less because we have less.**

#### **FISCAL CHALLENGES:**

Dutchess County's fiscal standing continues to be challenged by factors beyond our control just like counties across New York State. While there may be minor signs of either moderating declines or stability, the national, state and local economies continue to experience negative trends in job losses, unemployment, and wage declines.

Unemployment in Dutchess County for September reached 8.2%, the highest unemployment rate since 1994 and significantly higher than the average annual unemployment rate of 4.0% for 2007 prior to the economic downturn.

The continuing recession has resulted in shrinkage in the county's major revenue sources including sales tax, mortgage tax, hotel tax, transportation aid revenue, interest earnings and other economically driven revenues.

Revenue is not the only area that suffers during economic downturns, service demand also increases. One of the service areas hit hard by the economic downturn is the Department of Social Services (DSS), which continues to see a significant increase in demand by our residents and families. Caseloads of food stamps, Medicaid, temporary

assistance and Home Energy Assistance Program (HEAP) are rising significantly as residents continue to struggle with the impact of the economy.

To address these fiscal challenges in 2009, the administration has been and will continue to be proactive to cut spending, maximize revenues, realign and reallocate resources to needed areas. Some examples are:

- positions were left vacant and earmarked for deletion in 2010;
- positions have been left vacant for extended periods to achieve payroll savings;
- Almost 80% of positions filled were either for highly reimbursable and mandated positions or for law enforcement and corrections where vacancies result in overtime costs or public safety concerns;
- targeted spending cuts have occurred across county government;
- evening Health clinics were rescheduled within working hours;
- new Medicaid *Non Emergency Transportation Broker* with estimated savings of \$1.4M in federal, state and local taxpayers dollars;
- expanded Juvenile Pre-trial Diversion Services, saving hundreds of thousands of dollars;
- further Mental Hygiene program realignments forged to continue to maximize revenues; and
- capital improvements were deferred or scaled back.

In 2010, the county's financial standing will continue to be challenged by state mandates beyond our control:

- **State mandated** Medicaid will cost county property taxpayers 3% more, or \$1.4 million, for a total of \$40 million as the county's share of the total \$366 million gross Medicaid cost;
- **State mandated** children's services including foster care and children in institutions as well as economically driven mandated costs for family assistance and safety net will cost \$44 million next year, an annual increase of **nearly \$5 million or 12%**;
- **State mandated** Preschool Special Education and Early Intervention programs remain a significant cost at \$23 million;
- **State mandated** new assessments and fees on employer provided health insurance that will cost the county approximately \$530,000;
- **State mandated** MTA Mobility Tax will cost county taxpayers approximately \$324,000 this year with a reoccurring annual expense of over \$400,000. This is a liability no one likes or wants to pay but it is nevertheless one the County Legislature cannot ignore. It must either be revoked by New York State legislators, or it must be paid. Penalties and fees will accrue at a rate of 7.5% if this liability is not authorized by the County Legislature.

## **STATE BUDGET:**

The state's budget gap continues to grow on a monthly basis. Just two weeks ago, NYS Comptroller DiNapoli warned the state faces a growing cash deficit in its current budget which could reach more than \$4 **Billion** if the Governor and state legislators take no action in 2009. The deficit could grow to \$10 **Billion** in 2010-2011.

On October 15<sup>th</sup>, the Governor proposed a \$5.0 billion Deficit Reduction Plan to address the state's worsening fiscal crisis. The plan contains major structural reforms and a state spending cap which we know from past experience, if enacted, will bring more fiscal challenges that will domino to counties. This proposal includes \$1.3 billion in additional across-the-board current fiscal year reductions which would mean a **10 percent cut** to all remaining, undisbursed local assistance in the current fiscal year. This would include cuts to health and human services programs as well as transportation. The proposal also includes cuts in Medicaid funding in major categories of expense.

While the Governor's plan also proposes that direct mandated cost shifts to local governments would be excluded, this has yet to be seen. State officials – both legislators and Governors have a history of not living up to their statutory funding commitments. At this time, it is unknown what the final outcome and impact will be on county government.

## **CLOSING THE GAP:**

The fiscal challenges we have faced in 2009, and the new ones in front of us for 2010, combined with uncertainty of state budget impacts, have all contributed to the \$50 million budget gap I announced in early October. To close that gap, the initial budget submissions from each department and elected official were returned to them. Each department was asked to cut its overall county spending by restructuring, realigning, and reprioritizing their 2010 work plan, knowing services would have to be reduced.

All but two agencies cooperated with my request to rework their 2010 spending plans. It was disappointing, although perhaps not surprising, the County Legislature and the Board of Elections refused to cut spending. I commend those department heads and elected officials who did show the leadership required to make the tough decisions that need to be made given the financial challenges taxpayers and county government are facing.

**Over time, the county's operational budget has been trimmed, leaned out and squeezed again and again.** Although cost cuts were made in departments large and small, the savings contributed from smaller departments simply cannot close an unprecedented gap of \$50 million. Just like any private business, we must by necessity go to those largest cost centers and areas of rapidly increasing expenses. In the county's case, that is the Sheriff's Law Enforcement Division and Jail; Health and Human Services departments; and the Board of Elections for realignments and restructuring in order to rebalance and produce savings in any significant way.

Although the Health and Human Services departments are highly reimbursed by state and federal dollars, they were still able to reduce the impact to county property taxpayers by over \$7 million.

The Sheriff's initial proposed 2010 spending plan totaled \$45.6 million net to county cost, a 15% increase over the 2009 adopted budget. Clearly a proposed 15% spending increase for our largest county cost center was not defensible. We remain committed to public safety and therefore, the Sheriff has subsequently been allocated \$38 million in net to county funding for his 2010 work plan to address the necessity of closing the \$50 million gap.

The Board of Elections' budget request was more than a 400% increase from \$874,000 in 2005 to a startling \$4.4 million just five years later in 2010. Also, not defensible! The Board of Elections has been allocated \$2.2 million for 2010. **Even with these reduced allocations, these two departments alone represent more than \$40 million in local property taxpayer dollars. So if legislators really want to control property taxes, the Sheriff's office and BOE need spending controls.**

#### **RESTRUCTURING/REALIGNMENT:**

In 2010, county government will continue to provide shared services to our partner localities to achieve savings and improve efficiencies. There are numerous examples of shared services provided by the county to localities, including emergency response training resources and special service teams, senior centers, shared vendor contracts with bulk rate discounts, printing services at 50 to 60 percent savings, planning and community development, the internet based Parcel/Access application used by many municipalities, and road salt management to name a few. Dutchess County government also shares its sales tax revenue which is distributed to all cities, towns and villages. The total distribution for 2008 was \$28.2 million and through September 2009 \$16.2 million.

Basic sheriff road patrols are **not** a mandated service required by law to be provided by a County sheriff agency. Dutchess County has 30 municipalities. Almost half have chosen to raise monies through their local tax levy and municipal budgets to pay for their own local police agencies, choosing the level, scope, coverage and cost of police services provided to their residents. Of the remaining 16 municipalities that choose not to provide for their own police department, 11 currently pay the Sheriff, in part, on a contracted purchase of service basis for a supplemental amount of patrol coverage beyond basic zone road patrols.

The 2010 tentative budget provides for the realignment and expansion of an optional "purchase of service" program with localities that opt to participate through inter-municipal agreements. Each participating municipality would contract or "purchase" these services from the Sheriff and only pay actual county costs for the number of deputies and time in dedicated road patrol coverage requested by the municipality.

**Let's also be clear what the 2010 budget does not include:** there is no cut to the number of deputy sheriffs for road patrols; and existing Sheriff special details still remain such as the river boat patrol, drug enforcement task force, STOP DWI checkpoints, Emergency Services Unit or Detective Services (to name a few) as some wrongfully attempted to portray when the restructuring was previously presented. **What the budget does include** is projected offsetting revenue from municipalities that choose to purchase a defined level of discretionary basic road patrol service they believe is necessary in their communities.

As I have stated before, many local property taxpayers throughout the county are paying **twice** – once through their county tax bill, and once again in their local government property taxes - while receiving patrol service primarily from their own local police department. As currently structured, county government and countywide property taxpayers have enabled some towns to avoid any budgetary and taxpayer expense on their municipal budgets and levies for locally dedicated police service.

This is a serious and troubling issue of inequity from one locality to another. Using my hometown of Pleasant Valley as just one example, is it fair that I receive sheriff road patrols that function as a local police department presence while my neighbors in the town and city of Poughkeepsie are forced to subsidize what is in effect my “local Pleasant Valley police presence” for my benefit? At the same time, they are paying through their respective town or city property taxes approximately \$15 million in the town and \$13 million in the city for their own local police services. This is a clear overlap of services and duplication of costs for them. I frankly do not believe my family and others in Pleasant Valley should be fully subsidized by property taxpayers who have multimillion dollar local police agencies in East Fishkill, Hyde Park, Poughkeepsie, Fishkill, etc.

This proposed policy change is intended to realign costs appropriately so some communities no longer have to subsidize a service for another. I have heard the argument from some that whether the cost is in the county budget or the local budget “they are all the same taxpayer”. Actually that is **not** really true. All taxpayers are not receiving the same local benefit. That's the problem and it needs to be fixed. Should Supervisor John Hickman in East Fishkill or Supervisor Pat Myers in Poughkeepsie support their own property taxpayers paying twice by subsidizing other communities in millions of dollars of expenditures by the Sheriff while those communities pay nothing from their municipal budget? How does the chief elected official of any community defend “paying twice” by their local property taxpayers?

It is in the best interest of all taxpayers we work toward less duplication in services and costs and more fairness and equity. Inarguably, it is always best when costs of any service are in the appropriate cost center where the service level and expense can best be decided and controlled. Elected officials in each locality are best suited to make that determination.

To summarize, sheriff road patrols will no longer be funded from general county taxpayer revenues in the operating budget. Localities have three choices:

- 1) develop or maintain their local police department patrol as some already do;
- 2) rely on state police response for emergencies and coverage; and/or
- 3) purchase road patrol services from the Sheriff through inter-municipal agreement.

This new structure will provide the 'purchase of services' option only where local governments desire it. **There is no mandatory per capita assessment or chargeback to local governments or their residents.**

As you may know, we have communicated directly with supervisors and mayors on this issue by letter and I have met with a number of them recently. While I understand there may be some who do not initially embrace this proposed paradigm shift because there would be a new direct expense for a service to their municipal budgets and residents, once the issue was fully explained and discussed, most officials understood the larger public policy issue of equity and fairness.

Further associated with non-mandated services provided by the Sheriff's office is the School Resource Officer (SRO) program. This is a program that benefits only a few school districts who receive this specialized service at the expense of all the county's taxpayers. If this is a program that the respective school officials believe is critical, they should be willing to pay the actual costs for the targeted service.

Recently, the town of Hyde Park told its school district that the town municipal budget taxpayers could no longer provide SRO services for free and have since negotiated a cost structure with the school district. Again, this is an example of the placement of costs, control of service levels, and accountability with the appropriate entity. Accordingly, included in the 2010 budget is a projected revenue estimate based on actual county costs to provide this discretionary service to the select school districts benefiting from it, and importantly, county property taxpayers in **other school districts are not being unfairly charged for the service they do not get.**

In 2006, the federal and state mandated *Help America Vote Act (HAVA)* required county implementation of all election responsibilities. Historically, much of the expense had been covered by local governments. In recognition of that, HAVA legislation did allow counties to continue to share the cost of elections with localities. There are many different methodologies being used in numerous counties that already share election costs between the county and local governments. I encourage legislators to explore those methods by researching these other county/town shared cost formulas.

While there was initial support for some form of a cost sharing relationship in Dutchess County, the County Legislature at the time did not ultimately come up with a methodology and did not implement the cost sharing provision. That was unfortunate

because the chief elected local officials, working with the Legislature, would have required stronger fiscal controls.

This policy proposal is driven by several factors, not the least of which is the dramatic and unsustainable growth in election costs. As noted earlier in this message, in 2005 county costs for elections prior to *HAVA* were \$875,000. In 2010, Board of Elections Commissioners Fran Knapp and Dave Gamache have submitted a budget request of an astounding \$4.4 million! As noted, the Commissioners **refused to cut even one dollar of spending** from their proposed budget, and unbelievably included a **request for another 4 new additional positions** as well as a **3.9% salary increase for themselves and their 22 existing staff.**

The executive branch has no control under state law over the spending and management decisions made by the Elections Commissioners; however, the county Legislature does. I respectfully suggest the Legislature has ignored its responsibilities and has not done an adequate job in its due diligence to understand what is, and what is not needed by BOE, and what the accompanying budgetary requirements would be to satisfy the needs. By not holding the BOE accountable over the years, the Legislature has not dealt with the mismanagement, nepotism, and cronyism rampant at the Board of Elections. Certainly, the Legislature is quick to voice its criticism of executive departments, using the accountability argument, but the single agency the Legislature itself is accountable to oversee is allowed unchecked, out of control spending growth.

Some of you were here in 2006 when I vetoed Resolution #206137, sponsored by Chairman Higgins and Majority Leader Goldberg that authorized the implementation of the DC HAVA plan provided by Commissioners Gamache and Knapp. The resolution included the appropriation of \$780,000 and added 8 new positions.

In my veto message, I included numerous areas of concern and mismanagement going back to 2000, including a December 2005 reference to the then Director of Operations at the NYS BOE who advised the county Law Department that a possible remedy to resolve the endemic depth and scope of problems at the county BOE was a state takeover of the responsibilities of the County Commissioners and the operations of the County Board.

It's important for those legislators serving in 2006 as well as those who were not here at that time to review the history of problems at BOE, so I have included a copy of the full veto message. Those competency problems continue with no legislative oversight.

In 2008, absent adequate legislative oversight, the Commissioners granted themselves an unauthorized and illegal salary increase taken from the rest of their budget, and almost got away with it! The administration discovered this and required the Commissioners to each pay back to the taxpayers the \$4,827 they wrongfully collected.

What happened to the legislative oversight committee the Legislature put in place to review BOE more closely? Why has it conveniently disappeared? Why wouldn't Comptroller Jablonski audit the BOE as I requested in March 2006? And rather than

blindly certifying the BOE payroll, why didn't Comptroller Jablonski formally audit BOE once she was made aware of the unlawful salary increases the Commissioners gave themselves?

As important as the electoral process is, this simply cannot be tolerated any longer. It appears the Legislature needs assistance, and partners, in fulfilling its electoral stewardship. I believe a cost sharing arrangement with localities will provide the Legislature with the additional support and knowledge through experience in running elections that the Legislature needs. I also believe this arrangement provides additional stakeholder "watchdogs" from the local officials invested in the cost to hold the legislators themselves accountable to better manage their own agency, and to ensure BOE does not continue to spiral further out of control. If **CHANGE** was ever needed, it's here - the taxpayers and electorate in every community in Dutchess County deserve the change and accountability from Commissioners Knapp and Gamache that is long past due.

As I announced on September 24 in my notification letter to supervisors and mayors, a cost sharing revenue is included in the 2010 tentative budget that would require a cost to localities of over \$6,000 per machine. In my subsequent meeting with local officials, we discussed this issue further. I explained the reasons for my position, and I listened to their concerns. As a result, as we finalized budget decisions in the past few days, we worked hard to lower our original estimates for the local share of elections by approximately 37%, or to about \$3,800 per machine.

Just like we ask departments to consolidate, realign and restructure, the Legislature must require that of the BOE. How about the Legislature requires their two BOE commissioners come up with a reasonable consolidation plan for the 130 plus polling places? We look forward to a full discussion and disclosure of these BOE issues, as well as consideration of alternate funding methodologies as the budget reviews begin.

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As we face the challenge of doing "less because we have less," the ongoing efforts of the Health & Human Services Cabinet have provided the leadership for collaboration and maximization of revenues. The County's human services departments have worked hard to maintain a comprehensive, continuum of services from prevention to aftercare services for residents of all ages through the leveraging of federal and state revenue and the use of discretionary dollars. Our overarching goal is to reduce out-of-home placements, hospitalizations or incarceration that ultimately cost taxpayers more. Whether developing a multi-department policy to improve efficiency; gaining support for a new assessment tool; taking stock of program outcomes and the impact to meet goals; or discussing the interdependency of services or impact of state budget changes, the Cabinet is to be congratulated for meeting the on-going challenge to significantly reduce county costs while providing evidenced based services with quality outcomes.

Proven county savings as a result of the Cabinet's work include an administrative change and information sharing to increase Medicaid reimbursement for the Early Intervention/Preschool Education programs; saved county administrative costs for Medicaid Transportation; responsibility for pushing for and choosing the new Medicaid Non Emergency Transportation Broker with estimated savings of \$1.4M in federal, state and local taxpayers' costs while significantly improving services; supported the expansion of Juvenile Pre-trial Diversion Services which includes an objective detention screening instrument and offering alternative community based services for better outcomes for youth, saving hundreds of thousands of dollars.

In the proposed 2010 County Budget, thanks to the cabinet efforts, human service departments revised their budgets and cut expenditures in equipment, discretionary programs, staff support and positions. The departments of Health and Mental Hygiene will forge new transitions to consolidate, restructure, and realign direct services based on both current usage as well as changes in state reimbursement methodologies.

In order that we close this unprecedented funding gap, unavoidably, there will be community impacts as these painful cuts are shared with community agencies. Many of these proposed retractions were initiatives we started and have supported over the years. However, for every dollar that must be spent in state mandated costs means there must be a dollar cut from discretionary services. Performance outcomes become more important than ever to ensure we are getting the most for every dollar spent. We have done our best to maintain basic services and to meet our mandates as set by regulations with the limited resources available. However, although we may not wish to shrink some of these services, we know in 2010 and beyond **county government will have to do less because there is less.**

In view of the drastic and painful cuts in programs and services across county departments and community agencies, the community college must be expected to join with its "brother and sister" county agencies in sharing the burden and cutting costs for our property taxpayers; so therefore, there has been a small reduction in the funding for DCC.

We have also found it necessary to adjust services in traditional core service areas to close the \$50 million gap. The Highway division of the Public Works department will enter 2010 with fewer work crews on the road. This will no doubt cause a strain on the remaining work crews. Unfortunately, some deferred maintenance activities and reprioritized work projects will have to help us get through our current fiscal challenges. In the Parks division, it is necessary to modify hours of operation to reduce expenses. There is a minimal admission cost scheduled to cover the cost of the some activities.

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County government is a people business; people provide services to other people.

The most painful part of the 2010 budget is the corresponding reduction in staff that accompanies cuts in programs and services. Therefore, this proposed budget reduces the county workforce by 56 positions, including 25 layoffs, which are spread broadly across multiple departments. It is too early to know just who personally may be impacted with job losses, and not until after the budget is adopted in its final form will any of us know specifically which employees will be impacted. The Personnel department staff will be available to discuss civil service rights and the separation process to potentially impacted employees. The national, state, and local fiscal situation government is facing is not the fault of employees, and that is why it is especially painful that there will be real people, our friends and colleagues, negatively impacted.

The 2010 proposed budget provides no cost of living or merit increases for confidential and management classification employees. PBA and CSEA cost of living increases are not included in the budget as the PBA contract expired on December 31, 2008 and CSEA expires on December 31, 2009. Some PBA and CSEA employees will receive contractual step increases required by state law. The last year of contractually obligated DSCEA cost of living increases and step increments are included for 2010.

Finally, in the next week to 10 days, I will be providing the Legislature with a package of legislation to address proposed changes regarding solid waste in Dutchess County. These actions continue the multi-year transition and restructuring plan to address solid waste disposal and enforcement in the county.

The County's 2010 Capital Improvement Plan includes important capital projects to preserve our county assets and infrastructure such as: highway and bridge improvements, improvements in County facilities, airport improvements and repairs and Dutchess Community College renovations. We will advance capital projects to the Legislature cautiously as we are able.

#### **REVENUES:**

**Sales Tax** - Prior to the economic downturn, our strong local economy had produced reliable annual growth in sales tax revenue which could be counted on to fund new expenses. Times have changed. Sales tax revenues through early October were down 9.25% compared to the same time last year, a clear indication the economic downturn continues to cause a decline in consumer spending. If this trend continues, year end sales tax revenue is projected to be \$6 to \$7 million less than the budget estimate of \$121.5 million – a huge sum of planned for revenue needed to fund 2009 services that now has to be absorbed into our financial situation.

The framework of this budget anticipates a necessity to replace that lost revenue. Therefore, this budget includes \$122.5 million which anticipates an end to the current tax break exempting sales tax on clothing and footwear under §110 which will produce an estimated \$5.4 million based on a March 1, 2010 repeal date. Faced with the reality of

more costly state mandates, and shrinking revenues, most counties in the state did not adopt this option and other counties have repealed this tax break exemption. If the Legislature chooses to adopt this policy, and as the County Attorney has previously advised the Legislature, a certified copy of the enactment repealing the sales tax exemption must be sent by certified or registered mail to the NYS Commissioner of Taxation and Finance postmarked at least ninety (90) days prior to March 1<sup>st</sup> or by **December 1<sup>st</sup>** preceding the effective date.

**Mortgage Tax** – The Legislature reversed its prior adoption and failed to extend the mortgage tax revenue implemented in November 2007 beyond the November 30, 2009 expiration date. This decision will mean a projected loss of \$175,000 for December 2009. It will also mean an additional annual **loss of more than \$3.4 million for 2010 necessary to fund existing county services**. The reality is fiscal pressures facing the county now are even more difficult than those challenges faced two years ago when the Legislature first voted to implement the mortgage tax. The structural financial imbalance that existed then was compounded and is even worse now. Therefore, as a means of correcting that structural balance, this financial plan provides for the county mortgage tax previously enacted by the Legislature to fund state mandates to be reinstated July 1, 2010.

**Miscellaneous Revenue** – Other economically driven revenues such as interest earnings, transportation aid revenue and permit fees are also down compared to last year with a further decline projected for 2010 due to the continuing economic downturn.

#### **MULTI-YEAR THINKING:**

We know just a few factors can endanger our fund balance and place the county finances in peril. Exposures and factors in 2010 and beyond will further strain the county's budget and negatively impact years of prudent planning: They include:

- Further 2010 downturn in the economy;
- Unpredictable revenues;
- New state mandates;
- Mid-year cost shifts from the 2009-2010-2011 state budget; and
- Increased service caseloads driving up costs requiring additional appropriations.

Over the past several years, we had made some progress to replenish and stabilize our "rainy day funds" by continuing to apply fiscal constraint, aggressively pursue state and federal aid reimbursements and promote economic development. **The "rainy day" is here.** We must plan carefully to pre-position ourselves for current and future fiscal challenges. Strategic planning is more important than ever as the county's 2008 audited general fund balance **dropped by \$9 million**, from \$37 million at the end of 2007 to \$28 million at the end of 2008. This decline in fund balance is largely a result of increases in state mandated costs and shrinking revenues brought on by the economic downturn.

In order to maintain our financial stability in the face of serious fiscal challenges, we must not think of single budget years in isolation, but we must carefully plan the application of fund balance on a **multi-year** basis because we know 2010 and 2011 could

likely be worse. It is unlikely we will see the same fund balance replenishment at the end of 2009 and 2010 that we've experienced in past years.

The 2010 budget includes a \$12.6 million appropriation of general fund balance with modest appropriations of fund balance from the D and E funds. This level of appropriated fund balance will position the unappropriated fund balance of the county at 4% of appropriations. **Therefore, any additional reduction, or exposure to the remaining fund balance could put the county at risk in the middle of the 2010 fiscal year.** It is more important than ever we think multi-year to protect and strengthen our fund balance as the hoped for economic recovery begins.

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A recent study by the *Leaders at the Core of Better Communities (ICMA)* shows the financial crisis has had a massive impact on the operations of local governments. Budget shortfalls have been worse than imagined in the majority of communities and the recession has ushered in permanent changes to governing at the local level. This is especially true for New York State counties impacted by the state's worsening fiscal crisis.

Simply weathering the economic storm is not enough. Strong and effective management and political courage by legislators during an economic downturn can help to identify opportunities for improvements and efficiencies that will pay off long after the recession subsides. I believe the 2010 proposed budget does just that, identifies opportunities for restructuring, realignment, rightsizing, and equity to continue to provide basic services within the limited resources available. Through continued proactive leadership we will not only weather the storm, we will position ourselves for recovery and growth in the future.

I am hopeful the Legislature will be a cooperative bi-partisan partner in the budget review and adoption. Most importantly, I am hopeful the Majority corrects its ill-advised decision of last November to restrict staff advice and information and to exclude the public from consideration of its amendments when it failed to announce and publicize them prior to the Legislature's mandatory public hearing.

As I said, this 2010 budget proposal was the most difficult in all of my years of public service. The decisions that needed to be made were difficult and hard. This budget does not represent what we want to do, it represents what we have to do. Residents have called on us to cut spending and hold the line on property taxes. **This is what a NO PROPERTY TAX INCREASE budget looks like.**

Last year, I made some of the same proposals that are incorporated in this 2010 executive budget. Those proposals were quickly tossed to the side for political reasons without any real discussion or debate on the fiscal merit. In order to avoid making tough choices, the Legislative Majority chose to restore **non county government** community contract agencies to level funding while County departments were punished with deep, slashing

agencies to level funding while County departments were punished with deep, slashing cuts with little to no rationale that even the Democrat Comptroller felt were fiscally unwise. The result of the legislators' chaotic process was an 11% county property tax increase adopted by the Democratic majority, the largest single year tax increase in 27 years.

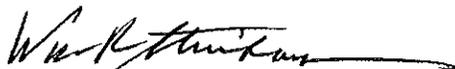
It will be easy for critics to say what they don't like about this budget, just like last year. I can anticipate some political opportunists for pre-election grandstanding purposes will be vocal critics – but somehow I'm guessing they won't have alternate solutions of what other services they want cut, or other taxes they want increased to pay for their favorite programs.

Legislative critics must be challenged to find real, viable solutions for new higher revenues if funding for favored programs and services is to be restored. We believe this budget offers realistic, though often painful, solutions. We are open to alternative solutions, but legislators must be willing to present those alternatives in a transparent manner for full public discussion rather than hide behind hundreds of last minute "midnight" amendments. The solutions must be real, because in the end we cannot spend what we do not have.

I wish to express my thanks to my entire Executive Office staff, most particularly Budget Director Valerie Sommerville, Senior Research Analyst Jessica White, Research Analyst Spring Attaway and Budget Assistant Donna Lehnert; to all my Executive Department Heads and to the independently elected Officials for their cooperation and support throughout the development of the 2009 Executive Budget.

Thank you for your anticipated cooperation.

Sincerely,



WILLIAM R. STEINHAUS  
County Executive

Attachment: Veto Message for Resolution Number 206137 from 2006



**Dutchess  
County  
Executive**

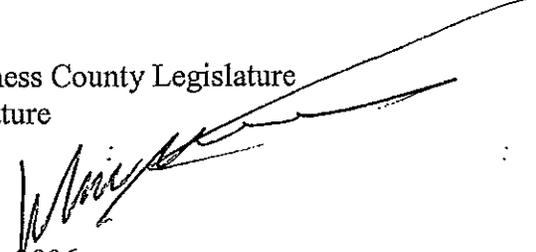
# Dutchess

William R. Steinhaus  
County Executive

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## MEMORANDUM

TO: Bradford Kendall, Chairman of the Dutchess County Legislature  
Members of the Dutchess County Legislature

FROM: William R. Steinhaus, County Executive 

RE: Resolution No. 206137, Adopted June 12, 2006

DATE: June 22, 2006

I am writing regarding the federal HAVA legislation and the proposal in Dutchess County Resolution No. 206137 from the two Dutchess Election Commissioners to implement that legislation.

Below is a summary of some issues relevant to the Dutchess County Board of Elections I believe deserve review:

- October 2000 - Commissioners abandon Personnel Department position classification procedures adopted by the County Legislature, making the process political and arbitrary - rejecting the county's fair, equitable, and professional process of establishing job position classifications and allocations that is required of all other county employees and positions.
- September 2001 - Voter election notification cards highlighting Primary Election were mailed and received by residents after the Primary Election.
- 2002, 2003, 2004, 2005 - Board of Elections Commissioners refuse to submit 2003 County Budget as legally required by County Charter and Administrative Code. Commissioners ignore required deadlines and submit operating budgets incomplete, incorrect or late for 2004, 2005, and 2006.
- June 11, 2004 - Board of Elections Commissioners illegally close Board of Elections office to residents on a normal business day violating state election law 3-214.
- February 2004 - Established procedures to add, reclassify, reallocate and change position titles through the County Legislative budget process are violated by Election Commissioners. They attempt to bypass required procedure to change employee's titles.

- July through November 2005 - Commissioners fail to submit required work plan for implementation of federal HAVA legislation after numerous notifications.
- November 17, 2005 – New York State Board of Elections writes email to two Dutchess commissioners regarding their operational failures and states “as part of our ongoing efforts to reverse the downward spiral of your board...”
- November 25, 2005 - In violation of state law, Commissioners close office to county residents on a normal business day, even though County Attorney had previously advised Commissioners were required to be open under state election law 3-214.
- November - December 2005 - Deadlines are violated by Commissioners for November election certifications due to the State Board of Elections no later than Dec 5<sup>th</sup>. State Board of Elections gives two extensions to Commissioners to certify and submit. New December 12 deadline ignored by Commissioners. Third deadline of December 14 is ignored. All legal deadlines are violated by the two commissioners.
- December 2005 - Dutchess County Election commissioners abrogate responsibilities under state law. NYS Board of Elections web site lists voter results for all counties in the state. Dutchess is the only county in New York without certified election results.
- December 2005 - The Director of Operations of the NYS Board of Elections told the county Department of Law a possible remedy to the situation could be their take over of the responsibilities of both County Elections Commissioners and the operations of the DC Board of Elections.
- December 2005 - The failure of the two commissioners to fulfill their oath of office necessitates intervention and action by a Supreme Court Judge to certify election results.
- December 2005 - Notification of new state requirements for candidate disclosure statements is mailed by Dutchess Board of Elections after the due date as required by the new state law thus potentially putting hundreds of local elected officials in violation of new state disclosure law.
- January 11, 2006 - *Poughkeepsie Journal* editorial comments on the worsening problems at the Board of Elections and writes, “The Dutchess County Board of Elections has failed to serve the voters and changes must be made.” The paper further states “fighting between the commissioners has reached epic proportions”.
- January 24, 2006 - Chairman of the Legislature Kendall responds to administrative problems at the county Board of Elections and writes to the Republican commissioner stating, “This is an abrogation of your responsibility...”.
- January - February 2006 – The two Commissioners fail to agree on employee salaries at the County Board of Elections as required under state law. Staff employees were paid at prior year salary rate for two months during the Commissioners’ stalemate while the Commissioners collect raises for themselves.

- January through June 2006 - Voters, residents, and County Legislators continue to wonder where is the HAVA implementation “plan” from the two commissioners.
- June 2006 - Board of Elections Commissioners present their HAVA “plan” almost 12 months late. When asked by legislators to reassure the public of their HAVA “plan”, Commissioners state to Legislators such comments as: “...there is no guarantee... we are going to face some major hurdles.” “This is to the best of our ability” and “We’re way behind” – all comments clearly made to lower expectations and attempt to insulate the Commissioner’s from future failure.
- The Dutchess County Ethics Law adopted by the County Legislature states in Section 3, *Standards of Conduct*, paragraph L: “**Nepotism**: No relative of any person employed in a department of the County of Dutchess shall be entitled to hold a position of full-time or part-time employment in the same department of the County as their relative if the position applied for is in the direct line of supervision in the subject department. Notwithstanding the definition of relative of Section 2(g) for purposes of this subsection “Relative” shall mean a spouse, child, step-child, parent, step-parent, brother, brother-in-law, sister, sister-in-law, step-brother, step-sister, father-in-law, mother-in-law, or legal guardian of any of said persons. With respect to prospective employees who have relatives as defined herein in other County departments, the hiring official shall exercise sound discretion in employing such individual in order to avoid the appearance of impropriety which relationship shall be fully disclosed to the Board of Ethics.”
- One commissioner willfully violates her oath of office and the County Ethics Law and has blatantly disregarded the Legislature’s Ethics Law by employing family members.

Every two weeks all agency, department and unit heads are required to submit payroll time sheets with their signature certifying the hours worked for every member of their organization. Next to each employee’s name - including the two commissioners - is the pre-printed number “7” indicating the hours of the required work day. Should the employee not work those daily hours, the time sheet must be adjusted. The two Election Commissioners have repeatedly attested they have worked these daily hours when one holds another day job and the other casually reports to work when he chooses. Clearly, neither has earned the dollars the taxpayers have compensated them.

There is **nothing** in the performance history or track record of these two agency heads to suggest anyone should trust they have the competency, ability or work ethic to implement or manage the new federal HAVA election law and procedures. The inadequate HAVA “plan” almost one year late from when it should have been submitted and authored by the two Board of Elections commissioners gives them the opportunity to have a political “pork” feast, appointing dozens of new political appointees with no checks and balances for job specifications and no assurance that a single one of these individuals will have a single qualification to perform these duties – which of course is contrary to the requirements for the other 2,000 county employees. Taxpayers should wonder how many more family members of the commissioners they will be subsidizing.

It is completely unacceptable this county is in a position of reviewing/approving an incomplete plan for HAVA implementation at this very late date. One must ask the question if the timing was intentional on the part of the Commissioners, believing they could bulldoze the plan through and would get \$750,000 of whatever they wanted for the remainder of 2006 because there was little to no time left for the Legislature to deal with it.

But given this alternative, I believe there is still time to provide the electorate with what they are entitled to. Based on the two Election commissioners repeated violations of county law, the county Charter and Administrative Code, violations of the state law, violation of the obligations of federal HAVA election law, failure to fulfill their oath of office, the incompetence and ineptitude of these two agency heads, I believe the county legislature must demand their immediate resignation and move this county into HAVA implementation with new leadership. The voters of this county deserve two new commissioners be appointed by the County Legislature who will have the competency, skills and work ethic to bring stability, trust and confidence to this essential agency and the electoral process.

I agree with Chairman Kendall there has been an "abrogation" of responsibility at the Board of Elections.

I agree with the *Poughkeepsie Journal* editorial which states, "The election process cannot be compromised."

Therefore, on behalf of the voters of this county who have been ignored and abandoned by these two Election Commissioners and in an effort to protect the voters constitutional rights to a competently and capably managed electoral process, I veto Resolution No. 206137.