Office of
The Dutchess County Executive
22 Market Street - Poughkeepsie, New York 12601
(845) 486 - 2000 - Fax (845) 486 - 2021

William R. Steinhaus
County Executive

November 1, 2010

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

With the national recession entering its fifth year, taxpayers demand and deserve relief. They are sending a loud and clear message to elected officials: cut spending and cap property taxes. Some elected officials have heard the message, some have not.

In Dutchess County, we have heard our property taxpayers' message and we have responded.

The 2011 Executive Tentative Budget:

- **reduces spending below 2010 levels,** and
- **freezes the property tax levy at the 2010 level.**

To achieve this, we have had to make hard, unpopular choices; producing a balanced budget to reflect the economic and financial realities we face. It is important for residents to understand what reducing spending and freezing property taxes means to them. Services residents have come to expect, however worthy, must also be reduced or even eliminated.

The courage to make these tough decisions here at the county level stands in stark contrast to the ongoing insanity in both Washington and Albany. Washington has chosen to spend trillions of dollars it does not have. In Albany, state legislators invent new taxes and create budget gimmicks, allowing the damage to cascade down into local governments and destroy the business infrastructure of the state.

In Dutchess County, we have worked diligently to operate our "business", county government, as leanly and efficiently as possible. Over the years, we have continuously streamlined, downsized and restructured county government.

In 1992, county government had 22 department heads. I eliminated 3 department head positions in the 1990's and my 2011 reform plan reorganizing the management team abolishes 6 more department heads, reducing the 22 total department head positions in 1992 down to only 14, a 40% reduction during my years as Executive.

When I first became County Executive in 1992, county government had peaked with a workforce count of 2074 employees, following years of routine additions of employees.

Despite the addition of staff to targeted, select areas of need over past years, my 2011 budget plan as proposed therefore reduces the original 1992 total workforce number by 236 net positions, from 2074 positions down to 1838 positions. Just for additional context, 187 of the 236 have been eliminated in just the past three years alone.

For 2011, this budget plan reduces the workforce by 101.

We have a bold reform plan which positions Dutchess County for 2011 and offers a business model for future years. The reality is few can see the national or state economy, or the financial foundation of county governments in New York, improving in the next few years. So we must continue to look forward and plan on a multi-year basis to ensure stability and sustainability in county government.

We take our responsibility for fiscal stewardship of property tax dollars very seriously and year after year are often left to wonder… who is willing to join us?

The onslaught of state mandates dictated by the elected officials who make up Albany's dysfunctional legislature now consumes the value of **every single dollar** collected from the county property tax levy. It is a misnomer to call it the "county property tax bill" when it has really become the "state property tax bill"….Albany's continuing solution to its own fiscal woes. What a luxury to be an Albany politician where you can write yet another piece of legislation for new or expanded program which also demands local county officials to pay for it and deliver the bill to overburdened property taxpayers.

All the talk of a property tax cap by Albany politicians is a farce without those same Albany politicians accepting they **first need to reform** the unfunded state mandates.

Dutchess County government is blessed with a talented and dedicated team of county employees. 911 dispatchers, poised and calm, taking calls from residents in the middle of a horrifying emergency; professional, caring deputy sheriffs who make dangerous arrests to keep our neighborhoods safe; dedicated district attorneys who prosecute criminals; skilled county highway workers who drive enormous multi-ton trucks in blinding snowstorms at 3 a.m. to keep our roads open; committed health nurses who care for the youngest and oldest of our residents, mental health workers with huge hearts caring for many of our most vulnerable residents; proud veterans counselors assisting our local heroes back from war, and so many more.

It is upsetting and overwhelmingly frustrating to us that in 2011 we will have to eliminate the positions of some of those dedicated workers because a national recession beyond our control and costs of unfunded state mandates have left us with too few payroll dollars to keep these essential positions and the important work these employees do for our residents.

It is not only the decisions made in Albany that have put us in this financial vise. Decisions made in the past by the County Legislature have compounded our fiscal difficulties and have led in part to some of the payroll reductions we have been forced to make.

We know some of these layoffs could have been avoided if my 2008 proposal to freeze salary increases had even been considered by legislators and the unions. Instead, the salary costs to pay for those raises have now compounded to over $13 million going into 2011, money we could have used to save so many of these jobs.

Some of these layoffs could have also been avoided if, last fall, the County Legislature had not overridden so many Executive vetoes, ignoring our fiscal warnings that their policy choice of increasing spending could not be sustained.

Some of these layoffs could have been avoided if the revenue that legislators included in the 2010 budget from the collection of a county mortgage tax had been actually enacted by the County Legislature and then collected. It was not.

Let's now turn to the specifics of the proposed 2011 budget, including where we started, the challenges confronting us and where we are heading going forward.

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The 2011 proposed budget freezes the property tax levy and reduces spending below the 2010 modified budget of $401.7 million, despite an initial $40 million budget gap. This $399 million budget reforms the management and service delivery structure of county government while maintaining basic services, and does so with fewer employees than in 1985.

The county's 2011 tax base continues to decline this year. It is lower by $2.8 billion due to declines in the residential and commercial construction market, the overall decline in home values, as well as the reassessment activity over the past few years at the municipal level. **This brings the total decline since 2008 to $5.6 billion.**

Dutchess County's share of the property tax bill remains very small, less than 14% of the property taxes collected countywide. The remainder of which is comprised of school taxes, municipal (town, village or city) property taxes and special district taxes (e.g.,fire).

FISCAL CHALLENGES:

The fiscal standing of counties across New York State and the nation continue to be challenged and strained by economic factors. Dutchess County government faces those same harsh conditions and the daunting challenge of maintaining fiscal stability. Recovery in the national economy remains uncertain, as high unemployment rates and the sluggish housing market persists and consumer confidence has dropped to its lowest levels.

Dutchess County's unemployment for September was 7.3%, down from 8.1% one year ago, yet still significantly higher than the average annual unemployment rate of 4% for 2007 prior to the downturn.

While we are beginning to see some moderate growth in sales tax and hotel tax revenues, the continuing recession has resulted in shrinkage in the county's other major revenue sources including transportation aid revenue, interest earnings and other economically driven revenues. Unfortunately, any growth in sales tax revenues will be negated by increased costs for state mandates and the dramatic increase for state-mandated pension costs.

While revenue suffers during an economic downturn, county governments' challenges are compounded as service demands increase with more residents and families struggling through the impact of the economy. One of the service areas hit hard by the economic downturn is the Department of Social Services (DSS) where caseloads for food stamps, Medicaid, and Temporary Assistance have continued to rise dramatically.

We have worked aggressively to address these fiscal challenges in 2010. The administration has been proactive: cutting spending, maximizing revenues, realigning and reallocating resources to needed areas. We have deferred and scaled back capital improvements, maximized reimbursements for Public Works staff time on federally funded capital projects and County Attorney's time spent on DSS cases. We have also held positions vacant to achieve savings. We are actively working to identify those employees impacted by staff cuts who will be qualified and able to transfer to other critical roles and continue to serve our residents.

STATE MANDATES & STATE BUDGET:

In 2011, state mandated programs continue to be the most oppressive obstacle to managing county finances. State mandated programs now consume the dollar value of the entire property tax levy. According to the New York State Association of Counties (NYSAC), just nine state mandates consume 90% of the county property tax levy across the entire state.

These mandated programs include:

- Medicaid
- Child Welfare
- Temporary Assistance/Safety Net
- Indigent Defense
- Early Intervention
- Pre-School Special Education
- Probation
- Youth Detention
- Pensions

In Dutchess, Medicaid alone will cost a projected $41.8 million for 2011, a state mandated increase of $1.2 million over 2010. Preschool Special Education Program costs, where the state pays 59.5% and the county's mandated share is 40.5%, are projected to be $16.8 million in 2011. These are just two of the state programs Dutchess

County government is mandated to deliver and fund without discretion, consuming property taxpayers' dollars.

The Temporary Assistance for Needy Families (TANF) and TANF Safety Net programs are funded 25% County, 25% State and 50% Federal. New York State dictates eligibility and how the program must operate regardless of cost or effectiveness. In 2009, Commissioner of Social Services Robert Allers sent a proposal to the NYS Office of Temporary and Disability Assistance (OTDA) outlining a housing solution for TANF recipients that would have saved substantial dollars for both the county and state. Inexplicably, Albany rejected this proposal as 'not cost effective', despite the clear savings to both the state and county. It is difficult to understand how the state, when facing its own fiscal crisis, would still choose to ignore a cost savings opportunity.

Additionally, the original State budget proposal included legislation that would have made insurance companies pay their fair share for children receiving therapy services through the Early Intervention Program. This logical reform could have saved local property taxpayers approximately $1 million. However, state legislators refused to hold insurance companies accountable, instead choosing to let property taxpayers continue to foot the bill for this expensive mandated program.

Even more frustrating is the State's continued practice of cutting back on its own funding commitments, while still dictating county governments continue to provide the same level of service. The Pre-School Special Education program is an example of where Albany has reneged on funding commitments. In 1989, State law was created to reduce county government's fiscal liability for programs to 25% by the 1993-94 school year. However, state lawmakers have continuously reneged on this commitment in efforts to balance the State Budget by not living up to their funding commitments for these programs. If New York State honored its own statutory commitments, Dutchess County government's 2011 cost for this program alone would be $2.4 million less.

Several other state budget decisions will also have a significant negative impact on county government and create uncertainty for the county's fiscal picture both this year and moving forward. The State's contingency plan to cover the shortfall in federal Medicaid funding (FMAP) for the six month FMAP extension calls for the state to withhold 1.1% of all undisbursed NYS local assistance funding beginning September 16, 2010 through the end of the State's fiscal year, March 31, 2011.

Other state budget impacts include:

- retroactive and future reductions to state reimbursement for mandated Child Welfare services provided through the Department of Social Services,
- the state's elimination of reimbursement for certain optional services under Article 6 Public Health funding, and
- mandated youth facility charge backs and retroactive rate increases that were not factored into the county's budget but the state now tells us we must pay.

These few impacts alone are projected to have a nearly $2 million negative impact on county government in 2010 and 2011 combined.

The final state budget also includes a number of risky revenue estimates and spending cuts that may not be realized as budgeted. If these estimates do not materialize, the potential increases that a state deficit reduction plan will need to be implemented for this state fiscal year bringing further negative impacts for county government in 2011. The state's cash flow problems have already resulted in state aid reimbursements to counties being delayed. These reimbursements are largely for state mandated programs already provided by counties and paid for using local taxpayer dollars.

We are hearing a lot of rhetoric about "capping property taxes". What most people do not realize is decisions made in Albany about mandated programs and services are exactly what determine their local county property tax bill. New York State must reform these programs that directly impact local property taxes. A property tax cap simply cannot work without state mandate reform in Albany.

In Dutchess County, we understand what must be done to deliver a cap on property taxes: reform and restructuring that reduces spending. The majority of Albany legislators have not shown the political courage to make the hard decisions necessary to actually cap property taxes. In 2011, we will cap property taxes in Dutchess County. Here is how we did it:

CLOSING THE GAP & CAPPING PROPERTY TAXES

Ongoing economic uncertainty, state budget impacts and the never ending onslaught of state mandates all contributed to the $40 million gap we faced when we began the 2011 budget process.

Throughout my administration, we have operated county government as a lean and efficient organization. Our workforce has become smaller while the service demand we respond to has grown larger. We have made technological investments to allow our employees to work smarter and more productively. Our employees have risen to the challenge of doing more with less.

In the last few years, we have cut back even more extensively to respond to the fiscal challenges of the economy. We have now reached a pivotal point where the only way to close the budget gap is through dramatic reform of county government, restructuring our organization with fewer services and programs. In 2011, the structure and profile of Dutchess County government must be different from what it is today, by necessity including a decrease in services delivered to residents.

We began our budget development by identifying the revenue county government will receive in 2011, with initial projections from Finance and Budget staff indicating about $375 million. Expense projections for 2011 from all county departments and elected officials totaled $415 million, and the $415 million was after departments were told to submit a "bare bones" budget.

As many as 300 employee layoffs could have been necessary to close that initial gap, if we had not found other solutions.

The administration has worked diligently over the past several months to explore options of cost savings and efficiencies in order to reduce the negative impact on the services we provide and the resulting reduction of our workforce. Our employees continue to respond to the challenge of doing more with less and have provided innovative cost savings to help us reduce expenses.

A few examples of some of the cost savings initiatives that have helped to control expenses over the years have included:

- Consolidated copier contract/elimination of personal desktop printers and fax machines for annual taxpayer savings of **$250,000**
- New agreement for non-emergency Medicaid Transportation for total annual taxpayer savings of **$1.25 million**
- Electric Cost Analysis for annual taxpayer savings of more than **$100,000**
- Juvenile Pretrial Program for annual taxpayer savings of **$200,000**

These initiatives alone represent $2 million in savings and limit additional payroll and service reductions that would have been otherwise required to balance the 2011 budget.

Other cost initiatives anticipated to bring county property taxpayers significant future savings include:

- The new Internet Protocol (IP) phone system for total "net" taxpayer savings equaling nearly **$2.4 million**
- Federal grant funding for roof replacement at the Dutchess County Mass Transit Facility for total local budget savings of nearly **$827,000**
- New MVP option to all Medicare eligible retirees and their spouses for potential annual County savings of **$425,000 or more**
- Energy Efficiency & Conservation Block Grant (EECBG), featuring HVAC system at the County Office Building for projected savings anticipated to be nearly **$110,000** annually.

We have worked to find solutions to minimize the impacts of the state mandates we must adhere to. Our administration has sought to think outside of the box, constantly analyzing how we can deliver these mandated programs in the most cost effective way possible, whenever we have the ability to reform what we can. One such analysis has led to the new reform model we are introducing in 2011 to address the problem of rising assigned counsel costs. New York State mandates counties pay attorney's fees for certain individuals who must be represented in Family Court. County government has little control over these costs; the Judge signs the order, and county government must pay the bill. In October, an additional $300,000 in Family Court assigned counsel funding was authorized by the County Legislature, over and above the $1.5 million already budgeted for this year. These court-ordered and state mandated costs are projected to exceed a startling $2 million this year.

Since assigned counsel rates were raised a few years ago, more and more counties have been moving from individual court appointed private attorneys to other less costly and more effective solutions. By bringing this function in-house, we can improve services and provide quality representation at a significant projected savings to our property taxpayers. Therefore, my 2011 budget proposal includes a plan for a new ***Public Defender Family Court Unit*** to be phased in during 2011. This new unit will handle approximately 60% of these expensive Family Court cases at an annual savings of the mandated expenses by more than $500,000 compared to the current, more costly court appointed private attorney model, representing an average cost savings of nearly $400 per case. Assigned counsel will still be required for the other 40% of cases where multiple respondents for one case are required to have separate attorneys.

This reform proposal coincides with the state's newly adopted indigent legal services funding methodology which provides for a guaranteed payment to counties on a stepped down schedule over the next four years. New incentive grants will rise proportionately as the guaranteed payouts phase out. All counties will be eligible to receive these incentive grants based on compliance, performance and quality of services provided. This new ***Public Defender Family Court Unit*** model will bode well for the county to receive these additional grant funds to help offset future indigent legal services costs.

Beyond these initiatives, operational expense reductions have been made across the 2011 budget including:

- Employee travel, training & education down 16.5%
- Equipment down 73%
- Phones (including cell phones) down 10.7%
- Supplies down 13%
- Subscriptions and dues down 6.2%
- Contracted services down 10%
- Interdepartmental programs and services down 16%

One of the areas focused on during the comprehensive review of expenses countywide was the costs associated with the fleet of vehicles owned and maintained by county government. Throughout the course of the year, there are 330 to 340 vehicles in service in the County fleet. This does not include our Public Works heavy equipment and snow plows, or the mass transit buses.

The 2011 proposed budget reduces the number of vehicles in the fleet by 15 percent, or 51 vehicles, with a corresponding reduction in annual costs for gasoline, maintenance and automobile insurance. Other counties, such as Westchester County, have proposed similar vehicle reductions as part of their overall downsizing of the workforce and consolidation of departments.

In addition to the annual savings in the operating budget, we will also be reducing expenditures by eliminating 50 vehicles planned for purchase in 2011. This will result in a decrease of capital expenditures of approximately $1.1 million decreasing future debt service in the operating budget by nearly $400,000 annually. A reduction in vehicles must be done, not only to control costs but to capture added savings to avoid having more employee layoffs. To put this in perspective, with the estimated $225,000 savings through a reduction in our vehicle fleet and a reduction in the number of take home cars, we avoid the elimination of three or four additional positions.

For the second year in a row, the 2011 proposed budget provides for no cost of living increases for confidential and management classification employees. There are also no cost of living increases for the three employee bargaining units as the PBA contract expired on December 31, 2008, the CSEA contract expired on December 31, 2009 and the DCSEA contract will expire on December 31, 2010. Step increments are included for bargaining unit employees and longevities are included for all employee units. Additionally, for the third year in row, merit increases have been eliminated for confidential and management employees. County elected officials also will not receive any salary increases in 2011, nor will they have received salary increases for a four year period.

When county management or confidential positions are filled, they are generally done through internal promotions from rank and file staff. In fact, 70% of the current Department and Deputy Department Head level positions were filled through internal promotions.

With approximately 40% of our Department and Deputy Department level managers currently eligible or eligible within the next three years, for full retirement, it is in our best interest to make upward movement into management attractive to existing skilled, experienced staff for the continued success and efficient operation of our organization.

Most unionized employees give up meaningful benefits when accepting a promotion into management. Benefits such as: group collective bargaining negotiations on their behalf, the considerable job security of Civil Service protections; union representation including legal counsel; overtime; beeper pay; callback pay, etc., which are not available to management.

Therefore, we need to proceed cautiously with compensation package changes that can blur the distinction between union and non-union benefits, otherwise we could damage our ability to attract union employees into management or confidential class positions. The ability to offer a union employee the incentive of a reduced health cost is an important tool in the attraction, promotion and retention of skilled managers.

Over recent years, the county has been phasing in health care premium contributions from all classes of county employees. Phasing of those adopted policy changes continues into 2012 with recent legislative policy changes.

Financial reality shows there is a need to reduce staff and programs in the continued reality of a protracted economic downturn. Therefore, in a continued phase in, management and confidential employees will be required to contribute toward the county's cost of their health insurance benefits. This will result in the full phase in of all county employees with possibly one exception. There is a small group, of perhaps a few dozen staff of the management and confidential class, who are currently still in the PERB process organizing under the NYS Taylor law. We anticipate that process may be concluded in 2011 or 2012.

The 2011 budget includes $176,000 of new revenue from management and confidential class employees' contribution toward health insurance benefits. The structure is modeled after our largest labor contract, while still preserving some distinction between union and non-union benefits.

Proposed legislative resolutions will be forwarded for your action later in the budget process for December adoption.

It is frustrating that despite all of our hard work to continuously find new saving initiatives, these savings only take us a small portion of the way to closing the 'gap'. We, at the same time, have also seen so many of our savings already swallowed up by the never ending deluge of increased state mandated costs.

We are left with limited options to close the remainder of the gap in the County's 2011 budget: raise county property taxes, get Albany to provide mandate relief, or cut spending through the reduction of services and the corresponding payroll impact. Residents have been clear, and I agree, higher property taxes are not an option. While we will continue to fight for true mandate reform and make our voice heard in Albany, for now we are left with the only remaining choice: to cut spending by reducing services and payroll.

Therefore, to close the largest portion of the budget gap, the administration has explored every viable option for consolidation, restructuring, elimination or reduction of programs and services, and how best to redefine the core mission of county government in view of our fiscal challenges.

REFORM THROUGH RESTRUCTURING

As part of my Executive Budget, I am proposing bold reform of county government through significant organizational restructuring. This plan will require amendments to our current charter and if supported by the County Legislature, it will be the most substantial realignment and downsizing since our current county structure was created by county charter in 1968, more than 42 years ago.

My reform plan consolidates and realigns nine existing executive departments into just four departments. We believe there is opportunity to merge activities, functions and services to allow us to reduce payroll costs and still have an ability to deliver critical services to our residents.

We have looked very carefully at the missions, functions and responsibilities of each of these departments and have spent countless hours working with the departments to determine where synergies exist and how we can better integrate certain services to sustain or improve them, in order to overall create a more seamless, more efficient and smaller government. I commend our staff for their hard work in helping to wrestle these difficult decisions and help us to evolve into an updated, more modern, efficient business model for government.

Department of Services for Aging, Veterans and Youth

The Office for the Aging, Veteran Services Agency and the Youth Bureau will be consolidated into one department to be known as the *Department of Services for Aging, Veterans and Youth,* with separate divisions focusing on the specific needs of seniors, veterans and youth. This new department will be led by a single Commissioner of Services for Aging, Veterans and Youth.

These individual divisions share the important mission of building a high quality of life for our residents and we believe the synergy created by combining them into one department will help to better serve our residents going forward. A resident is not simply a veteran, a student, or a senior citizen; they are people with diverse needs and interests. A veteran who is seeking to learn more about healthcare benefits and retirement planning options that he or she has earned through his or her honorable service to our country, may also want to learn about long term care options through Aging Services. A grandparent who reaches out to Aging Services to learn about the Senior Exercise Program may also find about resources available to help the teenage grandson she is helping to raise cope better in school.

State law requires Veterans and Youth to have distinct Directors. We will implement the "Division Director" model already successfully used in numerous other county departments.

In the Aging Division, the Department Head position and the Aging Services Coordinator position will be eliminated to create a single Director of Aging Services position.

In the Youth Division, the Department Head position and the Youth Program Analyst position will be eliminated to create a Director of Youth Services. The Project Return program and its corresponding staff positions will be eliminated. The Youth Services Unit will continue to provide pre-diversion counseling that helps to keep young people out of court and avoids costly detention placements.

In the Veterans Division, the current management position of Deputy Director will be reclassified to a civil service counselor position. This new department realignment will allow time consuming administrative duties to be absorbed elsewhere in the department, providing more time to concentrate on meeting the needs of our veterans.

Additionally, administrative and clerical positions will be combined and the overall number of positions reduced.

The creation of this new department will provide a more cohesive, unified service delivery system for our residents and will reduce total FTEs by nearly ten.

The Health & Human Services Cabinet has been instrumental in bringing departments together to significantly reduce county costs while continuing to provide evidenced based services with quality outcomes and, therefore, will continue in the form of a Health & Human Services working committee. We are committed to continuing the positive momentum we have built and will utilize the Cabinet to its maximum benefit for our residents.

Department of Health - Weights & Measures Division

The Department of Consumer Affairs/Weights and Measures will be absorbed by the Department of Health as a new Weights & Measures Division, bringing the total number of divisions under the Department of Health to eight.

The Weights & Measures Division will continue to be responsible for the inspection of all scales and measuring devices in commercial establishments, the testing of petroleum products, weights of all commodities and precious metal licensing. These functions align with the Health Department's Environmental Health Services Division which permits and inspects food service facilities, tobacco retailers, children's camps, hotels, motels, campsites, parks and much more. This model has been successfully implemented in Onondaga County.

Consumer Affairs functions will include item pricing and scanner accuracy monitoring requirements in retail establishments.

The Department Head position for Weights & Measures/Consumer Affairs, a management position, will be eliminated. The Assistant Director position will be reclassified as the Director of Weights & Measures and will remain as a civil service position.

This realignment will eliminate one FTE, representing 1/5 of the original department.

Department of Finance - Real Property Tax Division

The Real Property Tax Agency will be realigned into the Department of Finance as a Real Property Tax Division.

The Department Head position and the Real Property Systems Specialist I position will be eliminated to create a single Deputy Commissioner/Director of Real Property Tax Services position, which will report to the Commissioner of Finance. State law mandates a Director position.

This realignment will eliminate one FTE in 2011 and will provide the framework for additional job function consolidation going forward.

Department of Human Resources

The Department of Risk Management and the Department of Personnel will be consolidated into one department, which will be re-titled as the Department of Human Resources to more accurately reflect its functions.

This consolidation will make it easier for employees to address questions they may have about employment status, health benefits or retirement planning, without having to navigate between two separate departments. The consolidation into one single Department of Human Resources will allow us to better serve our employees.

All Risk Management functions and duties will continue. The director position, however, will no longer be a Department Head position and will report to the Commissioner of Human Resources.

One Safety Specialist position will be eliminated, with some of the training responsibilities of the position being transferred to the Departments of Emergency Response and Health. The Equal Employment Officer (EEO) will take on the responsibilities of the mandated Workplace Violence training.

This consolidation will eliminate one FTE in 2011 and will be a multi-year reorganization.

Beyond these nine department consolidations, our economic circumstances require additional payroll cost reductions which will have impacts that will be felt throughout our county government organization.

We must make funding decisions which balance the need for critical services such as E911, law enforcement, plowing snow on county roads and child protective services with many other discretionary programs and services our residents would like to have, but which county government simply does not have the money to pay for. We remain committed to providing quality services, but will have to provide fewer services than in the past.

This proposed budget reduces the county workforce by 101 FTE positions, including 63 FTE layoffs, spread broadly across multiple departments. Some of the impacts include 29 positions eliminated from the Department of Mental Hygiene, 16 positions cut from the Health and 11 positions eliminated from the various divisions of the Department of Public Works, including Highway and Parks.

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.

SHERIFF & JAIL

With our budget overwhelmed by the constraints of the state mandates adopted by our Albany lawmakers, we are forced to cut important services and make the related payroll reductions throughout the county government organization in order to balance our budget. We are constrained from cutting mandated program expenses and the staff necessary to provide those state mandated services. Therefore, the Sheriff's Office, as the most expensive, county service cost center to local property taxpayers, cannot be immune from the payroll reduction the other county departments are facing and is actually the area where the greatest savings can be achieved to avoid higher property taxes.

The Sheriff's initial 2011 spending plan totaled $47.2 million net to county cost, an 8% increase over the 2010 adopted budget reflecting the spike in benefit costs. Retirement premium costs for deputy sheriff pensions are the highest of any employee category in county government. Dutchess County taxpayers will pay an average of $116,000 per deputy sheriff in 2011, including payroll, health and pension benefits, and other related costs. The Sheriff's current law enforcement operation includes 105 deputy sheriff positions and 105 vehicles.

These increasing costs in the Sheriff's Office are unsustainable without future property tax increases or cost sharing. **Basic sheriff road patrols and policing community events are not mandated services required by law** to be provided by a County Sheriff agency. These services are, however, ones we have come to expect as basic functions of county government. As we have stated before, it is incredibly frustrating that the endless state mandated programs demanded by Albany have taken over the entire dollar value of the property tax levy and local tax dollars are not available to us to address local needs. How can it be possible that state mandated programs have become so costly and so overwhelming that law enforcement, one of the most important services to residents, has to be considered a "discretionary" category? This is certainly a fair and important question for our Albany elected officials. The level of law enforcement services are, in fact, a discretionary category because it is one of the few areas where the levels of costs are determined and controlled locally. And unfortunately, thanks to Albany mandates consuming our funds, it is the discretionary categories where we are forced to cut across this budget proposal.

I certainly understand why Sheriff Anderson is not pleased with the prospect of a workforce reduction and I also understand why his immediate reaction is to suggest spending cuts be found elsewhere in county government. Well, that's exactly what we have done; the spending cuts and workforce reductions have impacts across county government, including other areas where important, critical service demands have risen.

In the case of the Sheriff's budget, we have tried several times in the past to be innovative about how to continue these services in a more cost-effective and equitable manner. We have made proposals to the Sheriff and the County Legislature over the years to contain these costs and to share expenses with the municipalities and school districts where the deputy services are most used. Unfortunately, our previous cost savings proposals were rejected by the Sheriff and the County Legislature. Neither the Sheriff nor the County Legislature has yet offered any alternatives, nor have cost saving measures have been offered, leaving no choice but to propose workforce reductions and funding reductions in this area just as other counties such as Onondaga and Broome counties have proposed.

The 2011 proposed budget includes the reduction of six Deputy Sheriff School Resource Officers (SROs), which the Sheriff listed in his budget request. The proposed budget also includes the reduction of three clerical/administrative positions at the Sheriff and Jail, similar to the reductions made in numerous other departments across county government.

(The issue of funding the Sheriff's law enforcement division is addressed in greater detail later in this budget message under the heading Multi Year Thinking and Fund Balance.)

As part of the overall reduction to the County vehicle fleet, 35 of the 119 Sheriff Office and Jail vehicles will be phased out of service. The Sheriff's Office and Jail have currently maintained a fleet of 119 vehicles (105 for Law Enforcement and 14 for Jail), including marked and unmarked patrol, maintenance and administration vehicles. It will be up to the Sheriff to prioritize his fleet and vehicle assignments, be creative with managing his various activities and to reallocate the remaining 73 vehicles among the 99 deputy sheriffs. Currently, many deputies are assigned a county vehicle by Sheriff Anderson which goes home with them after their work shift. The Sheriff could consider rotating vehicles between shifts and limiting those vehicles being taken home.

There are three shifts per day times seven days, or 21 shifts per week. Assuming a deputy typically works five shifts per week that means the Sheriff's choice to provide a take home vehicle to a deputy causes that vehicle to sit unused for sixteen shifts per week.

It is important to emphasize these undesirable choices would not have to be considered if our state senators and assembly members would cut and reform the state mandated expenditures that consume county monies that could be available to sustain law enforcement services.

On the Corrections side of the Sheriff's operation, Sheriff Anderson has not fully staffed all his authorized positions at the County Jail for several years, despite appropriations and funding being provided. An average of 12 correction officer positions are normally vacant (see table below) each year. This has caused huge sums of money to be spent by Sheriff Anderson on avoidable overtime and has unnecessarily placed increased stress workloads on the existing correction officers. These costs are not sustainable. The 2011 proposed budget includes the elimination of five correction officer positions, a $1 million reduction in overtime, and a reduction in inmate housing costs from the Sheriff's $3.2 million request to $2.6 million, the amount projected to be spent in 2010.

Correction Officer Vacancies	
Year	Annual Average
2006	13
2007	9
2008	9
2009	16
2010 YTD	15
5 Year Average:	**12**

2006-2009 annual average is based on a snapshot on one day of each month.
2010 YTD is based on vacant positions on the payroll system as of October 1, 2010.

Sheriff Anderson, as the chief elected official responsible for law enforcement as well as the operation of the County Jail, needs to look at his operations to find new solutions and reorganizational initiatives to deliver cost savings opportunities, just as other department heads throughout the executive branch have done.

BOARD OF ELECTIONS

The mismanagement at the Board of Elections (BOE) has been of grave concern to me for many years, going back to 2000. I have provided the County Legislature with numerous issues and concerns. 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.

The ***County Legislature's Elections Oversight Committee*** recently released a report outlining several recommendations that, if implemented, could result in more effective management and cost savings at the Board of Elections. Legislator Michael Kelsey, Chair of the committee, along with the committee members are to be commended for a comprehensive report. The Legislature will need to consider the Committee's recommendations carefully when making their decisions regarding the present and future operations at the BOE. Just like departments that must consolidate, realign and restructure, the Legislature should expect the same from the BOE Commissioners and hold them accountable.

BEYOND COUNTY DELIVERED SERVICES

County government partners with local community agencies for the purchase of specific supplemental programming and services. In order to close this $40 million budget gap, unavoidably, there will be community impacts as these painful cuts are shared with community agencies. Just as we are cutting back on the services and programs delivered by county employees, we must also cut back on the supplemental programs provided by our community partners.

For every dollar that must be spent in state mandated costs, there is one less dollar available for discretionary services.

While we recognize the many worthwhile programs and services provided by community agencies, funding decisions must be weighed carefully in the context of the need for services, the county's current and future fiscal situation and the financial impact on our property taxpayers. Just as we have done so successfully with the collaborations between the Department of Mental Hygiene and its community partners, we will continue our partnership with community agencies wherever it is possible for them to help us deliver a program or service at a lesser cost.

RESOURCE RECOVERY AGENCY

On January 4, 2010 I wrote to the County Legislature, *"No alternative solution was authored or adopted by the Legislature to resolve the issue of the County's legal funding obligation to the RRA. Legislator Rolison announced publicly on December 17 [2009] that the RRA was his top priority for 2010. We look forward to the Legislature's plan for the RRA….*

I also stated in the January 4 memo, "…*the Legislature failed to fund this legal obligation which dates back to the 1980's thus knowingly adopting a budget that is structurally out of balance".*

One day later, in his legislative address, Chairman Rolison indicated the RRA and therefore the issue of the "*net service fee*" would be the priority for the Legislature and he would address the necessary policy issues, method to pay the 2010, 2011 payment obligations due by contract and legislative policy for flow control, facilities etc.

On July 28, 2010, I responded to RRA Chairman Connor's concerns about licensing when I again wrote the Legislature on this topic, "…*lack of staff resources to perform the duties and tasks associated with the processing of applications for licenses to haul solid waste in Dutchess County".*

Less than a month later on August 20, 2010, I corresponded again to the Legislature stating, "…*we are but ten weeks short of the 2011 Legislative budget process. In order to meet the 2011 timeframe to address this issue the Legislature will need to make the necessary policy decision and adopt a final plan prior to then".*

In the same memo I said, "*Let's now take a step back to acknowledge the first and most important step in the plan as laid out by the WG {Working Group} is really the need for the Legislature to act before the County Executive can act."*

As of this writing on November 1, in spite of our repeated encouragement there remains no legislative policy adopted regarding the "*net service fee*" or funding resources to pay the necessary Solid Waste Department (SWD) staff for licensing, enforcement etc.

Therefore, the Administration has had no direction in the development of the 2011 Executive Budget. With no legislative policy in place, it is impossible for the administration to assign a funding level for the amounts the Legislature expects to be payable or the method to be used for the "*net service fee*" or for SWD staffing.

By deferring these decisions, the Legislature will be obligated to now make the necessary policy concurrently under the crush of the annual budget review process.

I want to warn the Legislature, it **must adopt** this financial policy now as part of the 2011 adoption cycle. The necessary legally obligated monies owed by contract must be dealt with as part of the Legislature's final 2011 financial plan. Critically important, since the County Legislature voted 21-4 last fall to eliminate funding for licensing and enforcement, if it wishes to comply with its own laws, must appropriate staff funds for the Solid Waste Department.

The Legislature has had one full year since last December when it chose to delay this policy decision to provide a solution. Therefore, I want to be clear, I will not support any draw down and appropriation next year in 2011 from fund balance to pay these obligations because the Legislature again is not able to make the timely decisions it is required to make under its fiduciary duties.

The Legislature **must appropriate the necessary funds**, either by line item, or into contingency to meet this obligation. The county financial position in 2011, and the small remaining fund balance, will not allow for the Legislature to prolong this decision into next year with the expectation it can then go raid the fund balance to pay due and owing bills.

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. However, in 2008 and 2009 the impact of the economic recession caused county sales tax revenues to decline more than $11 million over two years. In 2010, we have started to see some moderate growth in sales as the regional economy begins to slowly show signs of a slight recovery.

The 2011 sales tax forecast provided by our financial advisor is $131.33 million. This forecast assumes a 6% increase in sales tax collections for 2011 compared to 2010. This includes a base growth of 3%, plus an additional two months of sales tax revenue for January and February 2011 not received in 2010 as the sales tax exemption was in place until March 2010.

While these positive sales tax estimates are encouraging, as mentioned previously, any growth in sales tax will be negated by the increased cost of state mandates and the dramatic 37% increase in 2011 non-discretionary pension costs as a percentage of salary.

Mortgage Tax Last year, the County Legislature adopted the 2010 budget with inclusion of revenue to be generated from the reimplementation of the mandate mortgage tax. The Legislature failed to take the necessary legislative steps to ensure this budgeted revenue was received. This decision resulted in a loss of $1.7 million for 2010 necessary to fund legislative adopted spending for existing county services, creating a structural imbalance in the county budget. To correct that structural imbalance, this plan again provides for the county mortgage tax previously enacted by the Legislature to fund state mandates to be reinstated July 1, 2011.

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

MULTI-YEAR THINKING AND FUND BALANCE:

Over the past several years, we have planned carefully the application of fund balance on a multi-year basis. We know just a few factors can endanger our fund balance and place the county's finances in peril. One example is the resolution sent to the Legislature in October requesting an additional $1.9 million for state mandated programs funded through the Department of Social Services.

The 2011 budget proposal includes an appropriation of $10 million from the general fund balance and an additional $1.8 million from the D, E and S funds. This level of fund balance is necessary to lessen the impact to our workforce, programs and services. However, this application of appropriated fund balance will position the unappropriated fund balance of the county at 3% of budget. Therefore, any additional reduction, or exposure to the remaining fund balance could put the county at risk in the middle of the 2011 fiscal year. It is more important than ever we think multi-year to protect and strengthen our fund balance as the hope for economic recovery begins.

When we began the 2011 budget development process facing a $40 million gap, we did not expect to use any appropriations from fund balance as an offset to subsidize 2011 spending.

Our fund balance is being used much too frequently as a contingency account. It is not contingency, nor is it CASH, as we have repeatedly stated.

When the 2009 year end financial close out was complete, both the Budget Director and Finance Commissioner warned the identified fund balance amount was not as reliable a number as we would typically want. We have reservations about future expected state revenues being characterized as viable numbers. However, it is important to note the county's independent auditors, Price Waterhouse Coopers (P.W.C.), calculated the final fund balance based on a percentage of collectability experienced in the prior year. Their fund balance number does not take into account the delays county governments have experienced in state and federal aid reimbursements over the past year, raising concern that revenues factored into the $24.5 million final fund balance figure may not materialize entirely.

We have many other worries about 2011: the continuation of the national recession, continued shrinkage of our tax base rateables, already noted are down $5.6 billion over the past 3 years; possible further collapse of the NYS government financial situation etc

When exploring how to close a $40 million gap, we initially anticipated county government **would have to lay off as many as 300 county employees** with very damaging cuts to important services to close that gap.

Over the years, I have been very frugal about protecting the county's financial position and preserving adequate fund balance as a buffer to smooth out financial peaks and valleys, and eliminate the whiplash of recessions. We have generally accomplished that goal over my 19 years as Executive.

I have long advocated for legislators to think long term and multi year and I have been staunch in my insistence we must protect the fund balance for the financial storms that always lie ahead. We have certainly have had a heck of storm these past few years and the forecast is not brightening.

Therefore, my judgment going into 2011 was that in the best interests of the county financial position **was not to use ANY** fund balance appropriation to subsidize 2011 county services.

However, for me to continue with that position would have required the layoff of up to 100-150 additional county employees.

As we have said previously, the Sheriff's Department is the largest net to county cost center of county government at $47.2 million. Without the appropriation of $11.8 million of fund balance to cover deputy sheriff payroll, financial circumstances would have necessitated the layoff of 50 to 100 deputy sheriffs, or almost the entire road patrol, detectives division, and more to close the remainder of the original budget gap.

I choose instead to save the deputies jobs and appropriate $11.8 million in fund balance to subsidize the sheriff's deputy's payroll and avoid that unacceptable number of deputy layoffs.

Using fund balance to save the deputies jobs is a precarious and probably unwise decision and puts the county at a significant financial risk, particularly since fund balance is one time money and may not all be realized.

As I have warned before, the continued costs to operate the Sheriff's organization are not sustainable without property tax increases or other options to cover the sheriff's payroll and operational costs, such as those which I have outlined in previous years. If the Legislature disagrees with my use of fund balance to save these 100-150 jobs, then it will need to identify other funding sources or raise property taxes to cover payroll expenses.

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People often say "Government should be run like a business". However, when demand for a private business' products and services go up, normally so does their revenue and so the company grows-probably adding employees.

Unfortunately, in government, when demand for services increases, often times, like now in a national recession, it is because times are getting tougher, not better and revenues are actually lower. Compound that with a dysfunctional state government that continues to overwhelm county government with unfunded mandates and a fragile, weak and unpredictable national/global economy and the real "perfect storm" has taken hold of our financial environment.

The growth scenario facing Dutchess County government requires bold action and restructuring which meets the new economics that have confronted us. It is certainly disheartening, since for many years we have been leaning, doing more with less and squeezing out every bit of excess that exists.

I welcome the public review and the legislative process as well as the dialogue about the tough choices we must make as a community.

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 throughout the development of the 2011 Executive Budget.

Thank you for your anticipated cooperation.

Sincerely,

WILLIAM R. STEINHAUS
County Executive