

COUNTY FINANCES

Dutchess County Government has been working hard to find efficiencies and savings, share services with local municipalities, consolidate internally, and evaluate programs and services to reduce costs where we can. Our actions have resulted in the stabilization and strengthening of county finances, positioning us well to weather possible economic downturns or other negative fiscal impacts. Our efforts have also resulted in property tax relief for our residents with the reduction the county tax levy for the third consecutive year and a reduced property tax rate this year.

The County's 2015 fund balance totaled \$57.1 million or 13% of the \$439.2 million 2015 realized general fund revenue. \$10 million was used to establish the Taxpayer Protection Fund which will stabilize taxes over the next three years, and \$3.3 million was used to establish the Capital Set Aside for both County and Municipal Capital projects. In 2016, \$1 million was appropriated from the Capital Set Aside and added to the already budgeted \$1 million for local municipal projects that produce cost savings and efficiencies to help minimize property taxes. Also in 2016, \$2.3 million was allocated from the Capital Set Aside to partner with Dutchess Community College to construct an Aviation Maintenance Education Center at our Airport, which will add an Airframe and Power Plant (A&P) program in addition to their current Aviation Program. This exciting project is the best combination of educational opportunity and economic development. The 2017 Adopted Budget drew down \$3.5 million from the \$10 million Taxpayer Protection Fund to offset the cost of programs and services and reduce the property tax levy.



Although our fund balance is stable, we must remain vigilant as there are many uncertainties that remain, especially with a new administration at the federal level, two open bargaining unit contracts which have not been budgeted for, and a state budget proposed by the Governor that does not offer significant mandate relief but instead changes policies to shift further costs to the county level. Additionally, rating agencies look favorably on counties that have reserves to rely on when the economic environment changes. With a significant bond issue approaching for the construction of the Justice and Transition Center, we need to maintain our strong AA+ rating to keep interest costs at a minimum.



The Dutchess economy was stable in 2016, having flattened out after the economic recession which has burdened our government since the end of 2007. Unemployment has returned to 4%, as seen before the recession; our tax base has begun to see growth; and our housing market has seen a 20% increase in the number of closed sales year over year.

Sales tax revenue accounts for nearly 40% of operating revenue necessary to fund the programs and services provided by County Government. With a stable economy, we have seen some

growth in sales tax in 2016. Although the 4th quarter sales tax has not yet been finalized, we project revenue will be realized higher than what was budgeted for 2016 despite two prior period negative adjustments. These prior period adjustments were for corrections to sales tax returns for vendors in our area and negatively impacted our current year-to-date sales tax by (\$3M) and dropped our percentage of year-to-date growth over last year to 1.5%. When we adjust for the prior period hits, we are currently seeing growth at about 3%. If the last two payments come in as expected and without further prior period adjustments, sales tax revenue could be \$1-\$3 million above the 2016 adopted budget.

Dutchess County not only stayed under the property tax cap for the 2016 budget, but reduced the property tax levy. This, coupled with the government efficiency plan we submitted to the State, met the requirements under the State’s Property Tax Freeze Program, enabling eligible residents to receive tax rebate checks which are still being processed and distributed.

Our state representatives, Senator Sue Serino and Assemblywoman Didi Barrett, continued to advocate and draw down state funds for Dutchess County to advance mental health and diversion services totaling \$2 million. Although it was lower than the \$3.5 million budgeted, we are thankful for their advocacy and willingness to fight for Dutchess County to provide funding to offset the closure of State facilities in our county. The 2017 county budget again projects \$2 million in state legislative aid.

On the expense side, we continue to operate in a world where 70% of our operating budget is spent on State unfunded or underfunded mandated programs and services.



While this is frustrating and we continue to advocate for mandate relief, we try to achieve savings in mandated programs and services by finding new ways to do business where we can, as evidenced by the new Justice and Transition Center approved to move forward in the first quarter of 2016. By building a new, more efficient Justice and Transition Center, we will save the cost of housing out our inmates, as well as the cost necessary to run a modern designed facility that is more efficient. The Justice and Transition Center will also include programming space where the County can provide behavioral and transitional services to inmates so they can successfully transition back to the community. This new model will work to drive down recidivism rates and ultimately the number of inmates while improving public safety for our community.

It is clear that one of the key issues impacting inmate population is the number of people in the jail with mental health and substance abuse disorders. At the end of 2015, the County approved the reconstruction at 230 North Road to develop a new Stabilization Center. This is a 23-hour Center open 24/7 to help divert people in crisis from the jail and emergency rooms to a place where they can de-escalate and be connected to ongoing service and programs so they can be better served. Not only are we diverting people from jail and saving money, but we're working with people in crisis in an environment more conducive to recovery, preventing them from entering the criminal justice system.

Another area where we continue to invest resources to drive down costs is with our youth and children services. Child institution and foster care costs have steadily climbed in recent years totaling a projected \$26.6 million in 2016, up from \$18.7 million in 2012, an increase of 42% over the past 4 years. We are investing in preventive programming to help keep families together and provide resources, services and training designed to not only save money on the very high backend placement costs, but we're focused on providing positive outcomes for the children of our community.

Even in the area of Medicaid, where the State dictates what gets covered and paid for by the program and sends counties the bill, we are trying to find ways to save our residents tax dollars. Although Medicaid was capped at almost \$42 million, we are trying to save overall tax dollars by going after fraud, waste and abuse by working with a consultant to identify high-risk areas ripe for an audit. We then work with the state to get approval to conduct the audits. Since we began this program in 2008, the program has had nearly \$2.9 million in findings.

We save money in mandated areas wherever we can; however, in some areas the laws are limited and we simply foot the bill. The mandated Early Intervention and Preschool Special Education Programs cost taxpayers more than \$22.7 million in 2016.

2016 saw the first labor agreement with our new bargaining unit, Dutchess Staff Association (DSA), which will run through December 2019. The Police Benevolent Association (PBA), which represents our sheriff deputies, is operating under the current agreement which runs through December 2019 as well. Negotiations are currently underway with both the Civil Service Employees' Association (CSEA), our largest employee union, and the Dutchess County Sheriff's Employees Association (DCSEA), which represents our corrections officers as well as Jail and Sheriff's Office staff as both contracts expired at the end of 2016.

The Municipal Consolidation and Shared Services Grant Program, which began in 2013 with \$6 million of committed county funding through 2016, will continue in 2017 with an additional \$1 million in grant funding for local municipalities.

Our Agency Partner Grant Program began in 2013 and has continued through 2016 provides a process by which Dutchess County awards funding to community agencies based on identified needs and proven outcomes, rather than just past practices. \$900,000 in funding is dedicated to the program in the 2017 adopted budget.

We have sought to make our budget process transparent, accessible and accountable, with a long-term vision that demonstrates careful financial planning on behalf of our taxpayers. Dutchess County was awarded the Government Finance Officers' Association (GFOA) Distinguished Budget Award demonstrating the County's commitment to the highest principles of governmental budgeting for the past two years, but we have not stopped improving. The 2017 budget continues our efforts to provide information in a way that is easy to understand to the public by re-designing and consolidating the budget materials from two books to one. Each area of government has a narrative, summary and detailed information presented in one section. This offers the public a greater understanding of the budget, where revenue comes from and how it is spent.

The state of Dutchess County finances is strong and stable, and we will continue to protect our reserves to provide for uncertainties and maintain our strong credit rating. As we move forward in 2017, we are committed to an agenda of preventive and diversionary programming designed to provide our community residents with the services they need to make their families stronger and safer. We are committed to shared services and consolidation in an effort to minimize the overall cost of government to taxpayers, and we are committed to economic development to provide opportunities for residents and businesses in our community. We will continue to find the balance between providing the services and programs our residents need while minimizing the cost of those programs and the revenue needed to be raised to support them.