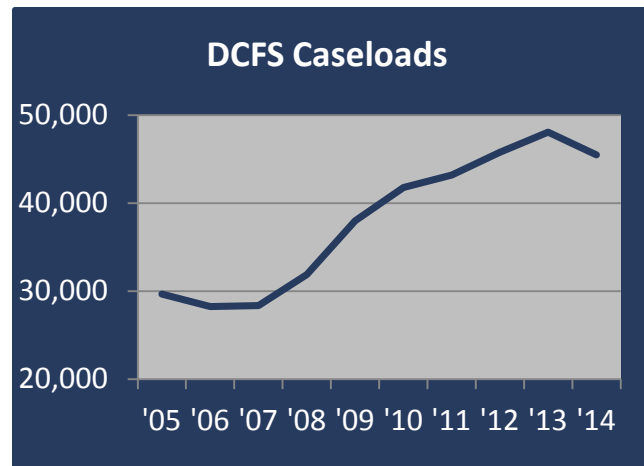


COUNTY FINANCES

In 2014, we continued our focus on controlling costs, maximizing efficiency, and addressing long-standing issues, while providing quality services to our residents. The local economy continues to show subtle signs of improvement, and the county's fiscal health is strong.

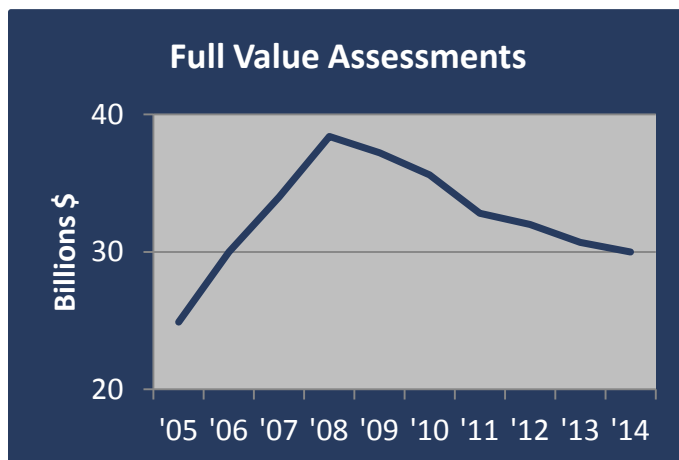
Over the past two years, we have seen a trend of declining unemployment, one sign our local economy is showing improvement. Average unemployment in Dutchess for 2014 was 5.5%, down from 6.8% for 2013 and 7.8% for 2012. Dutchess County has consistently remained below the statewide average.

Demands on our health and human services continue with a 60% increase in the Department of Community and Family Services (DCFS) client count since 2007, however, we are starting to experience some leveling out. Total DCFS caseload for public assistance programs in December 2014 was 45,500 as compared to 48,000 in December 2013.



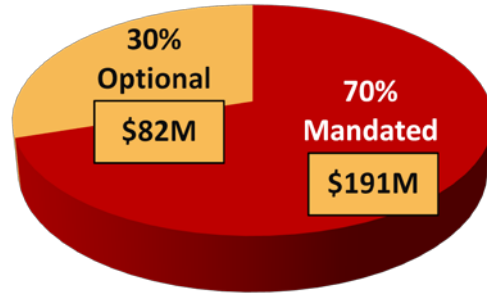
At the same time, State mandated children's services provided through DCFS increased \$2.2 million in 2014 with increased placements and length of stay driving up costs.

Home Energy Assistance Program (HEAP) benefits provided have more than doubled to approximately 14,800 compared to 6,000 in 2007. The Department of Mental Hygiene (DMH) 24/7 HELPLINE calls for assistance are up 70% from nearly 16,000 in 2007 to 27,300 in 2014. The number of mobile crisis team diversion services increased from 8,716 in 2013 to 9,552 services provided in 2014.



The County's tax base declined by \$350 million in 2014, for a total decline of \$9.2 billion over seven years. However, the reduction this year is significantly less than the annual average tax base loss of \$1.5 billion over the past 6 years, another sign that our local economy is showing improvement. We are working to reverse this trend through aggressive economic development initiatives.

State and Federal mandates continue to dominate the county budget with 70% of net county costs devoted to underfunded mandates and only 30% for optional services such as E-911 dispatch, sheriff law enforcement, health and mental health services, road maintenance and snow removal, public transportation and county parks. Total net to county mandated costs for 2014 are expected to be nearly \$191 million.



Medicaid remains the single largest mandated program and continues to be a top mandate relief priority for counties across the State. In 2014, the cost to Dutchess County taxpayers for Medicaid was \$42.7 million. This is down slightly from the \$43 million spent on Medicaid in 2013 due to additional federal Affordable Care Act funding passed on to counties from the State. However, Medicaid continues to consume 40% of our county's property tax levy for this one program.

The state mandated Early Intervention and Preschool Special Education Programs remain a significant cost in our budget and will cost taxpayers nearly \$10 million in 2014.

State pension costs for 2014 totaled \$20.8 million, a decrease of \$500,000 compared to 2013, due to a significant workforce reduction and lower rates set by the State. Other non-discretionary expenses for employee health insurance and workers' compensation also remain a significant cost at \$28.5 million for 2014.

Mandated costs for the jail to house inmates in other county jails reached nearly \$8 million in 2014 when transportation and overtime costs are factored in as we continue to house out over 200 inmates per day. These costs reinforce the need to move forward in 2015 with our plan for a more cost efficient jail facility with programs to help reduce recidivism. Savings of approximately \$1 million are projected for 2015 with the implementation of the temporary housing pods in the first quarter of the year.

Family Court mandated assigned counsel costs for 2014 exceeded the budget by nearly \$400,000 for a total cost of nearly \$1.4 million, driven up by an increase in caseload and an increase in hours per case. The continued expansion of the Public Defender's Family Court Unit in 2014 with further expansion planned for 2015 is expected to provide greater assigned counsel savings in 2015. The costs for the Public Defender's Family Court Unit have a lower cost per case than 18B attorneys and are fully funded by a grant from the state's Indigent Legal Services Fund.

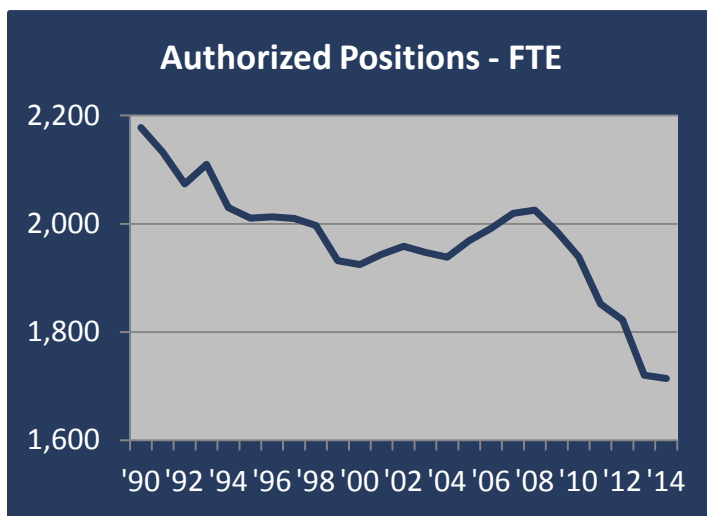
Sales tax, the county's largest source of revenue, pays for nearly 40% of County Government expenditures. While final 2014 sales tax revenues will not be known until mid-February, year-to-date economic growth is 4%, when adjusted for the \$2.3 million estimated amount received for the three months of the sales tax on energy. If the current trend continues for the two

remaining payments for 2014, county government will end the year with a significant shortfall of more than \$5 million. This is due to the repeal of the sales tax on energy as well as lower than projected economic growth in sales tax revenue. However working with the County Legislature, we were successful in securing \$4.9 million in additional annual state funding of which \$3.7 million will be received in 2014 to pay for existing mental health services and re-entry costs which will help offset the projected sales tax revenue shortfall.

The 2014-2015 State budget includes a property tax freeze plan that will provide rebates to property taxpayers who live in jurisdictions that stay within the property tax cap and agree to implement a shared services and/or consolidation plan. Over the past three years, we have proven our ability to remain within the state imposed property tax cap, and to implement and expand our shared services and consolidation efforts. Continuing these important fiscal strategies will be crucial for all local municipalities and school districts in order to provide property tax relief to homeowners and businesses.

Many aspects of the federal Affordable Care Act (ACA) implementation are now underway. The difficult roll out continues to bring uncertainty with how the ACA will impact state and local governments and the residents we serve. We are hopeful that any State savings realized as a result of increases in federal reimbursement will continue to be shared equitably with counties.

In 2014, we had a workforce reduction of another 7.6 FTEs, down 110 positions in two years to 1,713 FTEs – the lowest level in 31 years.



The labor agreement reached with the Civil Service Employees' Association (CSEA) in December 2014 was ratified by the County Legislature on January 22, 2015. At the same time, the Legislature authorized equivalent compensation for management and confidential employees and provided adjustments for the Board of Elections Commissioners' salaries which were reduced by 12% in 2011. A tentative agreement was reached earlier this month with the Police Benevolent Association (PBA) which represents

our sheriff deputies. Negotiations are currently underway with the Dutchess County Sheriff's Employees Association (DCSEA) which represents our corrections officers as well as Jail and Sheriff Office staff with settlement anticipated in the first quarter of 2015, and the Dutchess Staff Association which represents some of our County Attorneys and Public Defenders. We look forward to crafting agreements that are fair to our employees as well as our taxpayers.

In October, Standard & Poors Rating Services (S&P) assigned Dutchess County government a Aa+ bond rating, an upgrade from the previous Aa2 rating in November 2013 by Moody's Investors Services. Standard & Poors cites the county's strong budgetary performance and management conditions, good financial practices, overall low debt, strong cash levels and the increase to fiscal year 2013 fund balance as strengths leading to the Aa+ rating. S&P also reports the County's rating should remain stable based on the county's strong management and budgetary flexibility.

While this rating upgrade substantiates our efforts to successfully rebuild fund balance, it remains critical to stabilize our fund balance moving forward. That is why the 2014 budget did not use any general fund balance and the 2015 budget includes only a modest amount. With several important capital projects on the horizon, ranging from infrastructure and building maintenance needs to construction of a better jail facility, it is critical we maintain a strong bond rating.

The 2014 budget stayed within the state's property tax cap and balanced our residents' demands for service with their ability to pay. Through continued community dialogue, municipal collaboration, and partnership with our County Legislature we worked together to achieve a fair, balanced and workable budget.

The 2015 adopted budget of \$441.7 million includes an almost \$800,000 decrease in spending compared to the final 2014 modified budget, despite a \$2 million increase in state mandated spending, with no diminishment to county programs and services. The adopted property tax levy of \$107.6 million cut the tax levy and remained under the state property tax cap threshold, ensuring STAR eligible taxpayers in Dutchess County receive a property tax credit rebate check this fall.

2015 full time equivalent positions were held flat with 2014 at 1,713, the lowest in 32 years. Our dedicated County employees have shared our fiscal challenges over the past several years. Now, with the support of the County Legislature, our CSEA, Management and Confidential employees will receive salary increases for the first time in five years.

In 2015, we will continue our proactive efforts to offer shared services opportunities to municipalities such as the expansion of our Worker's Compensation plan, website development, GIS, and other IT services, printing, purchasing, inter-municipal agreements for snowplowing, community planning assistance and other services.

The Municipal Consolidation and Shared Services Grant Program which began in 2013 with \$2 million was continued in 2014 with \$1 million dedicated to local government efforts to improve efficiency, reduce costs, share successful outcomes, and promote economic development, while supporting local control and municipal home rule. The program will continue in 2015 with an additional \$1 million in grant funding for local municipalities.

Our Agency Partner Grant Program started in 2013 will continue in 2015 to provide a process by which Dutchess County will award funding to community agencies based on identified needs and proven outcomes, rather than just past practices. Over \$780,000 was dedicated to the program in the 2015 adopted budget, an increase of 10% over 2014 funding. This allows us to expand our partnership with not-for-profit agencies to address important community needs such as homelessness, child abuse and domestic violence, drug addiction and senior transportation.

Transparency and accessibility to information are the cornerstones of our Administration and County Government. Thus, the 2015 budget continues our efforts to provide more detail and information about the budget process and county government. This offers the public a greater understanding of the budget, and the ability to impact decisions and influence decision makers. All adopted budget information and documents are accessible on our County website. We continue our efforts to connect and engage residents with the launch of “Dutchess Dialogue” in 2014, a series of online webcasts at dutchessny.gov designed to inform and educate residents about the issues and opportunities impacting Dutchess County government and its taxpayers. Dutchess Dialogue webcasts feature short videos on a wide variety of topics such as unfunded mandates, shared services and consolidation, the criminal justice system, workforce size, and much more. Residents then have an opportunity to share their feedback through brief surveys, action items and comment submissions. Additionally, our “Dutchess Dashboard” fiscal tools continue to provide information and communication with the public. These initiatives will continue in 2015, and we encourage all those interested in County finances to take a close look at the vast information available on our website.



