

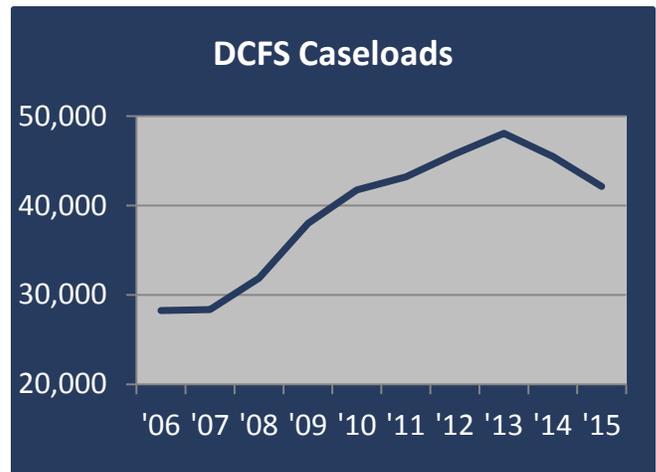
COUNTY FINANCES

In 2015, 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 signs of improvement, and the county's fiscal health is strong.

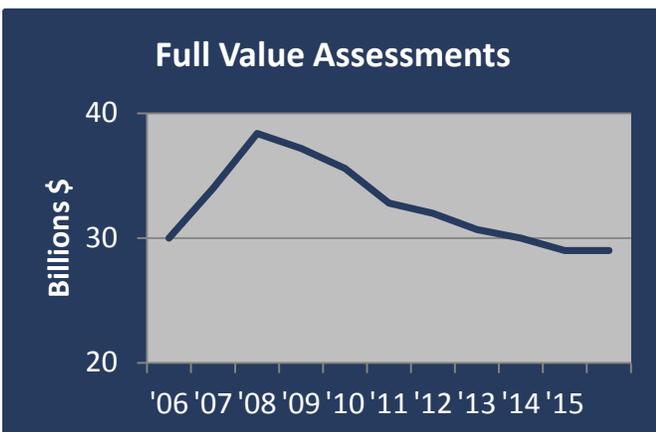
Over the past three years, we are seeing a trend of declining unemployment, a positive sign that our local economy continues to show improvement. Average unemployment in Dutchess for 2015 for the most current data available through November was 4.7%, down from 5.3% for 2014 and 6.6% for 2013. Dutchess County has consistently remained below the statewide average.

Demands on our health and human services continue with a 49% increase in the Department of Community and Family Services (DCFS) client count since 2007, however, we are now seeing some leveling out. Total DCFS caseload for public assistance programs in December 2015 was 42,145 as compared to 45,467 in December 2014.

At the same time, State mandated children's services provided through DCFS increased by \$3.5 million in 2015 with increased placements and length of stay driving up costs.

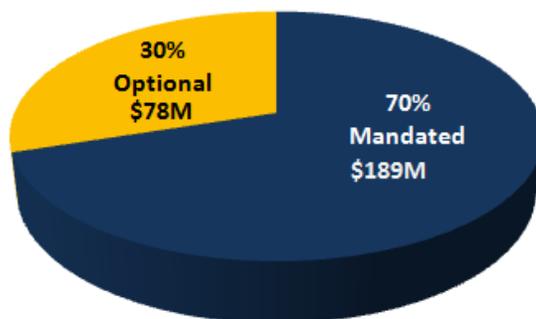


Home Energy Assistance Program (HEAP) benefits provided have more than doubled to over 16,300 compared to 6,000 in 2007 and up from 14,800 in 2014. The Department of Mental Hygiene (DMH) 24/7 HELPLINE calls for assistance are up 46% from nearly 16,000 in 2007 to 29,610 in 2015. The number of mobile crisis team diversion services increased from 9,552 in 2014 to 22,946 in 2015. The Mobile Crisis Intervention Team (MCIT) started as an 8 hours day/7 days a week operation and increased to 12 hours day/7 days a week, and in March 2015, expanded to 24 hours/7 days a week both onsite in the Mid-Hudson Regional Hospital Emergency Department, as well as in the community.



The County's tax base has flattened over the last couple of years with a slight uptick in 2015. In fact, the 2015 assessment roll used to calculate the 2016 property tax rate is up for the first time in eight years by nearly \$210 million. We are working diligently to continue growth in the tax base through our 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 2015 are expected to be nearly \$190 million.



Medicaid remains the single largest mandated program and continues to be a top mandate relief priority for counties across the State. In 2015, the cost to Dutchess County taxpayers for Medicaid was \$40.9 million. This is down from the \$42.7 million spent on Medicaid in 2014 due to additional federal Affordable Care Act funding passed on to counties from the State. However, Medicaid continues to consume nearly 40% of our county's property tax levy for this one program.

The mandated Early Intervention and Preschool Special Education Programs will cost taxpayers more than \$11 million in 2015.

State pension costs for 2015 totaled \$19.1 million, a decrease of \$1.6 million compared to 2014, due to lower rates set by the State and a statutory change in how all participating employers are billed for pension contributions. Other non-discretionary expenses for employee health insurance and workers' compensation also remain a significant cost at more than \$30 million for 2015.

We moved forward in 2015 with our plan for a more cost efficient jail facility. Savings of approximately \$1 million was achieved in 2015 with the implementation of the temporary housing pods in May. The project definition phase for the new Justice and Transition Center has been completed, and the County Legislature will vote on a bond resolution request in March to fund the architectural design and construction phase of the project.

Family Court mandated assigned counsel costs for 2015 were relatively flat with 2014 at nearly \$1.4 million, reversing the past trend of annually increasing costs. The continued expansion of the Public Defender's Family Court Unit in 2015 with further expansion planned for 2016 is expected to provide greater assigned counsel savings in 2016. 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 2015 sales tax revenues will not be known until mid-February, year-to-date economic growth is 1.9%, when adjusted for the \$2.3 million estimated amount received in 2014 for the three months of the sales tax on energy. If the current trend continues for the two remaining payments for 2015, county government could end the year with a surplus of \$1-\$2 million.

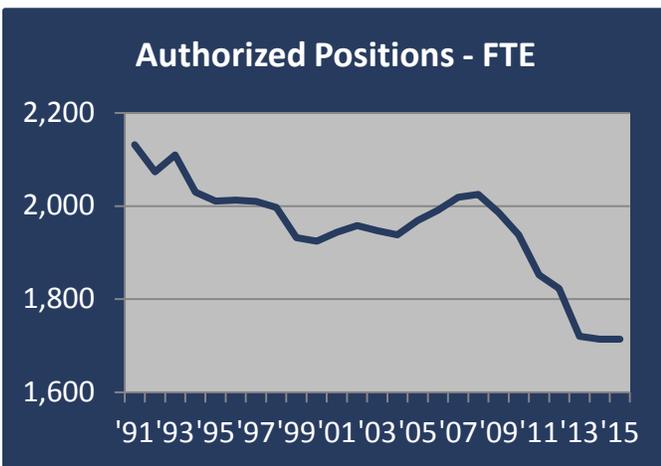
Eligible Dutchess County homeowners are now receiving their 2015 rebate checks as Dutchess County Government met the guidelines for the State Property Tax Freeze Credit Program when the County's 2015 budget was adopted with the largest property tax levy reduction in over a decade.

In 2015, the County in partnership with 27 local municipalities submitted a state approved Government Efficiency Plan (GEP) demonstrating nearly \$27 million in annual savings over three years (2017, 2018 and 2019). The approved GEP coupled with a 2016 adopted budget that remains under the property tax cap, once again ensures tax rebates for County residents in 2016.

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.

Although many aspects of the Affordable Care Act (ACA) implementation are now underway, the federal government recently postponed the "Cadillac tax" until 2020. Originally scheduled to begin in 2018, this tax is intended to rein in high-priced insurance policies offered through employers by placing a 40 percent tax on the portion of benefits exceeding certain price thresholds. This recent change continues to bring uncertainty with how the ACA will impact state and local governments and the residents we serve over the long term. 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 2015, our workforce remained flat with 2014 at 1,713 FTEs – the lowest level in 31 years.



Labor agreements were reached in 2015 with the Civil Service Employees' Association (CSEA), our largest employee union, the Police Benevolent Association (PBA) which represents our sheriff deputies and the Dutchess County Sheriff's Employees Association (DCSEA) which represents our correction officers as well as Jail and Sheriff Office staff. The Legislature also 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.

Negotiations are currently underway with the Dutchess Staff Association which represents some of our County Attorneys and Public Defenders. Our dedicated County employees have shared our fiscal challenges over the past several years and deserve to be fairly compensated. We will continue to negotiate labor agreements that are fair to both our employees and our taxpayers.

In November, Standard & Poors Rating Services (S&P) reaffirmed Dutchess County government's AA+ bond rating, one of the highest ratings in New York State for county governments. 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 2014 fund balance as strengths supporting 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 substantiates our efforts to successfully rebuild fund balance, it remains critical to stabilize our fund balance moving forward. That is why the 2015 and 2016 budgets include only a modest amount of fund balance. With several important capital projects on the horizon, ranging from infrastructure and building maintenance needs, to construction of the Dutchess County Justice and Transition Center, it is critical we maintain a strong bond rating.

The 2015 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.

2016

The 2016 adopted budget of \$458.7 million includes an almost \$4 million decrease in spending compared to the 2015 modified budget. The adopted property tax levy of \$106.6 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 in the fall.

2016 full time equivalent (FTE) positions are 1,721, an increase of eight FTEs in a few targeted areas, partially offset by state reimbursement.

In 2016, 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 and 2015 with \$1 million dedicated annually to local government efforts to improve efficiency, reduce costs, share successful outcomes, and promote economic development. The program will continue in 2016 with an additional \$1 million in grant funding for local municipalities.

Our Agency Partner Grant Program started in 2013 will continue in 2016 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 \$820,000 is dedicated to the program in the 2016 adopted budget, an increase of \$40,000 from 2015.

Dutchess County was awarded the Government Finance Officers' Association (GFOA) Distinguished Budget Award two years in a row for 2014 and 2015, demonstrating the County's commitment to the highest principles of governmental budgeting. 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. Thus, the 2016 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, where revenue comes from and how it is spent.

All adopted budget information and documents are accessible on our County website. Additionally, our “Dutchess Dashboard” fiscal tools continue to provide information and communication with the public. These initiatives will continue in 2016, and we encourage all those interested in County finances to take a close look at the vast information available on our website.

