COUNTY OF ULSTER
NEW YORK

ANALYSIS AND REVIEW

2021 EXECUTIVE BUDGET

NOVEMBER 2020

PREPARED WITH THE ASSISTANCE OF:

CMA
CapitalMarketsAdvisors,LLC
Strategic Consulting Group

2020
ULSTER COUNTY
<u>LEGISLATIVE MEMBERS</u>

District No. 1 - Town of Saugerties	*Mary Wawro*
District No. 2 - Town of Saugerties, Village of Saugerties	*Al Bruno*
District No. 3 - Town of Saugerties, Town of Ulster	*Dean Fabiano*
District No. 4 - Town of Kingston, Town of Ulster	*Brian Cahill*
District No. 5 - City of Kingston	*Abe Uchitelle*
District No. 6 - City of Kingston	*David B. Donaldson*
District No. 7 - City of Kingston	*Peter Criswell*
District No. 8 - Town of Esopus	*Laura Petit*
District No. 9 - Town of Lloyd, Town of Plattekill	*Herbert Litts, III*
District No. 10 - Town of Lloyd, Town of Marlborough	*Mary Beth Maio*
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District No. 13 - Town of Shawangunk	*Kenneth J. Ronk, Jr.*
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District No. 17 - Town of Esopus, Town of New Paltz	*James Delaune*
District No. 18 - Town of Hurley, Town of Marbletown	*Heidi Haynes*
District No. 19 - Town of Marbletown, Town of Rosendale	*Manna Jo Greene*
District No. 20 - Town of New Paltz, Village of New Paltz	*Eve Walter*
District No. 21 - Town of Rochester, Town of Wawarsing	*Lynn Archer*
District No. 22 - Towns of Denning, Hardenburgh, Olive and Shandaken	*John R. Parete*
District No. 23 - Town of Hurley, Town of Woodstock	*Jonathan R. Heppner*

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SECTION I
EXECUTIVE SUMMARY

INTRODUCTION

In September 2020 Ulster County (the "County") commissioned Capital Markets Advisors, LLC – Strategic Consulting Group ("CMA") to develop this review (the "Review") to analyze the County's proposed budget for its fiscal year ending December 31, 2021 (the "2021 Proposed Budget"). Members of CMA's Strategic Consulting Group conducted an evaluation of the County budget and key departments between September and October 2020, with a follow up expected through the adoption of the budget.

TIMING CONSTRAINTS AND OBJECTIVES ASSOCIATED WITH THE REVIEW

The scope provided for this Review was limited to specific tasks with a stringent timeline being imposed. As a result, CMA elected to interview various key departments of the County as part of its review. This Review details the findings associated with CMA's analysis. As a result, the County may elect to conduct additional analysis to further explore efficiencies within its operation. The findings by CMA were based on its review may be subject to change and adjustment as additional investigations are requested by CMA or the County.

APPROACH AND METHODOLOGY

Due to timing constraints of the project, CMA focused on a series of targeted key departments, agencies or functions of the County. Such targets either constituted a large percentage of the services provided by the County or were deemed important for review by CMA, the County or both. The Review and recommendations concentrate on the 2021 Proposed Budget.

During the evaluation period, CMA conducted several videoconference interviews with County officials, performed a comprehensive review of available financial documents, accumulated data on comparable municipalities for the benchmarking of financial and personnel matters and participated in conversations with various industry professionals.

In a typical year, fiscal trend analyses would serve as both the starting point and foundation for conducting the various reviews associated with the Proposed Budget. Nevertheless, the COVID-19 pandemic has significantly complicated the "traditional" forecasting process, making it difficult to forecast with any level of certainty. COVID-19 impacts are unique and cannot be easily analyzed in connection with prior economic recessions. In a typical recession, spending is reduced but people still patronize restaurants, purchase goods and spend on entertainment. The impact or COVID-19 has stressed the economy of the County, the State and even the Nation during 2020 and it remains unknown whether the change in consumer practices will have a long-lasting effect. As a result, the trend analyses are being considered along with peer benchmarks and budgetary variance analyses to assist in identifying key areas of risk. Unfortunately, the risk of a resurgence during 2021 remains a strong possibility.

The findings were based on assumptions deemed to be reasonable and customary. Nevertheless, any associated cost savings or revenue generation resulting from each initiative should be considered approximate and subject to revision as necessary. Furthermore, although quantified, the findings do not necessarily include execution plans. In certain instances, additional planning and analysis would be required.

Baseline details relative to the demographic and socioeconomic environment of the County are also provided in Appendix B of the Review. Appendix B provides a foundation for understanding the County's local economy.

Summary Of Findings

Herein follows a concise summary of CMA's findings. Detailed analysis of each of the following findings should be reviewed in the body of this Review.

Summary of Findings			
Focus Area		Topic	Detail
1.	Budget Practices	Organization of Budget Document(s)	The 2021 Proposed Budget appears to be revamped, incorporating most of the GFOA recommended topics. Department writeups should include accomplishments. **(Pg. 7)**
2.	Budget Practices	Statistical Information of Budget Document(s)	The budget document(s) of the County generally lack detailed demographic and socioeconomic information. **(Pg. 8)**
3.	Budget Practices	Design of Budget Document(s)	The 2021 Proposed Budget appears to be revamped, incorporating hyperlinks connecting the Table of Contents to the various sections of the document**. (Pg. 8)**
4.	Budget Practices	CMA Finding - Detail of Budget Document(s)	The 2021 Proposed Budget was found to be generally concise but lacks detail. **(Pg. 8)**
5.	Budget Practices	Highlights of Budget Document(s)	The 2021 Proposed Budget includes an appropriate number of charts, graphs and tables to summarize the primary components of the budget. **(Pg. 8)**
6.	Budget Practices	Public Engagement	The County's engagement of the public was found to be appropriate. **(Pg. 8)**

7.	Revenues	Sales Tax	The 2021 Proposed Budget reduced sales tax by approximately 6%. This would not be enough to offset the losses in sales tax revenue should a resurgence of the COVID-19 pandemic occur during 2021. **(Pg. 14)**
8.	Revenues	Tax Levy Limitation Law Credit Consideration	The County should consider passing local law authorizing the tax cap to be exceeded, even though it most probably will not be. **(Pg. 18)**
9.	Revenues	Real Property Tax Levy	A levy below the 2% tax cap appears to be both conservative and appropriate for 2021. **(Pg. 19)**
10.	Revenues	State Aid	Reducing State aid estimate in the budget would help to alleviate some of the related forecast risk. **(Pg. 24)**
11.	Revenues	Federal Aid	Reducing Federal aid estimate in the budget would help to alleviate some of the related forecast risk. **(Pg. 29)**
12.	Revenues	Hotel or Motel Occupancy Tax	Most counties in the State charge in the range of 4-5% for this form of tax, while the County charges half this rate. Increasing the County's rate to match the "market rate" would roughly double this revenue source. **(Pg. 31)**
13.	Revenues	Departmental Revenues	To be conservative, at a minimum, departmental revenues should match prior years. **(Pg. 33)**
14.	Expenditures	General Workforce	County departments mostly identified appropriate levels of staffing during interviews, which was deemed to be uncharacteristic. **(Pg. 37)**
15.	Expenditures	Strict, Objective 2021 Hiring Freeze	The County should continue a strict, yet objective, hiring freeze during 2021 in which only positions and/or functions deemed to be "essential" may be hired. Both the Legislature and the Executive should participate in this process. **(Pg. 38)**

16.	Expenditures	Collective Bargaining Risk	Several collective bargaining contracts remain expired. We caution that this could result in retroactive payments that would require the use of fund balance. **(Pg. 39)**
17.	Expenditures	Expenditure Budget Variance Analysis	The expenditure budget variance analysis is suggestive of excess in the 2021 Proposed Budget. **(Pg. 41)**
18.	Fund Balance	General Fund Appropriation of Fund Balance and Reserves	Although included in the budget detail, the charts and summaries do not include the planned use of General Fund reserves, which equates to an additional $1.5 million. **(Pg. 56)**
19.	Fund Balance	Tax Stabilization Fund	Drawing on reserves in the Tax Stabilization Fund could put the County in a precarious position. **(Pg. 56)**
20.	Fund Balance	County Road Fund Appropriation of Fund Balance	Over 2016 to 2021, the appropriation of fund balance in the County Road Fund budget increased by approximately 800.0%. **(Pg. 61)**
21.	Fund Balance	Road Machinery Fund Appropriation of Fund Balance	Over the period 2017 to 2021, the appropriation of fund balance in the budgets for the Road Machinery Fund budget increased by approximately 175.0%. **(Pg. 64)**
22.	Fund Balance	Debt Service Fund Appropriation of Fund Balance	The 2020 adopted and 2021 proposed appropriations significantly exceed prior years. **(Pg. 67)**
23.	Fund Balance	Fund Balance Best Practices	The County's Fund Balance Policy, which was originally adopted in 2013, should be re-evaluated to address the budgetary appropriation of fund balance during challenging economic times. **(Pg. 68)**
24.	Debt	Debt Management Policy	The County should develop and adopt a formal debt management policy. **(Pg. 71)**

25.	Debt	Cash Flow Financings	Not having to issue cash flow notes is deemed a credit positive event. **(Pg. 73)**
26.	Debt	Debt Service Payments	Debt Service in the 2021 Budget should be revised after November 5th to reflect payments correlating to the issuance of debt in September and November of 2020. **(Pg. 73)**
27.	Debt	Proposed Capital Improvement program	The Capital Improvement Plan should summarize funding sources which will enhance transparency. **(Pg. 75)**
28.	Debt	Proposed Capital Improvement program	In comparison to the 2016 Adopted Capital Improvement Program, the 2021 Proposed Capital Improvement Program shows an increase of approximately 37.9%. **(Pg. 77)**
29.	Efficiency Strategies	Clerical Pool	CMA believes that there could be material (but as of yet indeterminate) cost savings if the County created an employee pool with generic titles that could be transferred between departments. **(Pg. 78)**
30.	Efficiency Strategies	Exploration of External Shared Service Opportunities	The County should explore shared service opportunities. **(Pg. 81)**
31.	Efficiency Strategies	Exploration of Information Technology Opportunities	The County should work closely with the IT Department to identify manual operations which may be automated. **(Pg. 82)**

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SECTION II
BUDGET PRACTICES

BUDGET PROCESS, TIMELINE AND MANAGEMENT

The County's operating budget serves a number of functions. It designates purposes for which resources are to be apportioned among various departments and agencies and provides authority to County officials to both incur obligations and to pay expenses. It is an executive budget. That is, the County Executive serves as the Chief Budgetary Officer of the County. Together with the assistance of department heads and County officials, the Executive prepares and submits to the County Legislature the proposed annual budget, capital program, and accompanying budget message, which concisely summarizes the priorities, goals and initiatives of the budget. The Legislature holds public hearings and a final budget is prepared and adopted no later than the second Thursday of December each year.

Based on CMA review of the budget process, the County was found to generally follow industry recognized best practices.

KEY OPERATING FUNDS

Activities are accounted for in separate funds in order to show accountability. The County's Budget includes a total of six (6) "major" funds, each of which is further described below.

General Fund (A). The General Fund, or the A Fund, is considered to be the chief operating fund of the County and accounts for the revenues and expenditures of the general government.

Community Development Fund (B). The Community Development Fund, or the B Fund, accounts for proceeds received under the Workforce Investment Act and Community Development Block Grant programs.

County Road Fund (D). The County Road Fund, or the D Fund, accounts for the acquisition and maintenance of roads and bridges.

Road Machinery Fund (E). The Road Machinery Fund, or the E Fund, accounts for the acquisition and maintenance of road machinery and equipment.

Self-Insurance Fund (S). The Self-Insurance Fund, or the S Fund, accounts for the County's self-insurance plan

Debt Service Fund (V). The Debt Service Fund, or the V Fund, accounts for the financial resources that are restricted, committed or assigned to expenditures for principal and interest on long-term general obligation debt of the County (if not accounted for in other Funds).

BEST PRACTICES - THE MUNICIPAL BUDGET PROCESS

The National Advisory Council on State and Local Budgeting ("NACSLB") was established in 1995 by eight associations of State and Local Government, including the Government Finance Officers Association ("GFOA"). The purpose of the NACSLB was to develop a set of industry-recognized best budgetary practices. These best practices remain endorsed by the GFOA.

Herein follows a concise discussion of best budgetary practices and CMA's findings relative to its review of the County's 2021 Proposed Budget.

Best Practices in Budget Format. The presentation of the annual operating budget is critical. It should be informative yet easy to understand.

The GFOA recommends that municipal governments incorporate the below guidelines and practices to facilitate a broader consumption and greater comprehension of municipal budget documents.

Organization of Budget Document(s). Improving the organization of the budget document(s) reduces redundancy and fosters a better flow of data that is organized in a logical sequence. The GFOA has identified six (6) major sections which they have deemed as critical.

1. Introduction and Overview;
2. Financial Structure, Policy and Process;
3. Financial Summaries,
4. Capital and Debt,
5. Departmental Information, and
6. Document-Wide Criteria (Glossary and Statistical/Supplemental Section).

Source: GFOA Best Practices, Making the Budget Document Easier to Understand.

CMA Finding - Organization of Budget Document(s). *The 2021 Proposed Budget appears to be revamped, incorporating most of the GFOA recommended sections. In prior years, several areas were excluded. The 2021 Proposed Budget incorporates proper introduction and overview and all departmental information. In future budget documents, the County should continue the inclusion of departmental descriptions and short and long-term County goals and objectives. The incorporation of a glossary to facilitate a broader understanding is recommended.*

Statistical Information of Budget Document(s). The GFOA recommends inclusion of the following statical or supplemental information in the budget:

1. Form of Government
2. Geographical Map
3. Community Profile Inclusive of a Historical and Perspective on Current Community Issues.

4. Demographic and Socioeconomic Statistics

CMA Finding - Statistical Information of Budget Document(s). *The budget document(s) of the County generally lack detailed demographic and socioeconomic information. Incorporation of this data is recommended. Of note, Appendix A of this Review includes an analysis of the County's demographic and socioeconomic environment. This analysis would meet several of the above-noted elements.*

Design of Budget Document(s). The design of the budget document should be simple and easy to use, but attractive. The GFOA recommends the use hyperlinks between the Table of Contents and specific pages on electronic versions of budgeted documents.

CMA Finding - Design of Budget Document(s). *Electronic budget document(s) posted on the County's website prior to the 2021 Proposed Budget generally lacked hyperlinks connecting the table of contents to the various sections of the document(s). Including hyperlinks in all future budget documents would enhance online versions of the document(s).*

Detail of Budget Document(s). Although the budget documents(s) should contain an appropriate level of detail to convey information, excessive amounts of data can hinder the readers understanding. The GFOA also recommends that budget information be presented in such a way that it is consistent between funds and between departments

CMA Finding - Detail of Budget Document(s). *Based on CMA's review of County 2021 Proposed Budget, the document was found to be generally concise and consistent.*

Summaries of Budget Document(s). Budget summaries as a supplement to the main budget document are a recommended best practice of the GFOA since the use of tables, charts, and graphs can assist in transmitting data and information.

CMA Finding - Highlights of Budget Document(s). *CMA found the budget documents of the County to include an appropriate number of charts, graphs and tables to summarize the primary components of the budget.*

Best Practices in Budgeting – Public Engagement. Transparency and fiscal accountability should be considered a core value of the budget process. As a best practice, the NACSLB and the GFOA recommend local governments to encourage effective and well implemented public engagement processes.

CMA Finding – Public Engagement. *In accordance with the County Charter, beginning no later than the third Friday of November of each year, the Legislature shall hold, in at least three geographically dispersed locations in the County, public hearings on the County Executive's proposed budget. In additional, various other steps in the County's budget process involve public engagement. As such, CMA has deemed the County's engagement of the public to be appropriate and the overall process.*

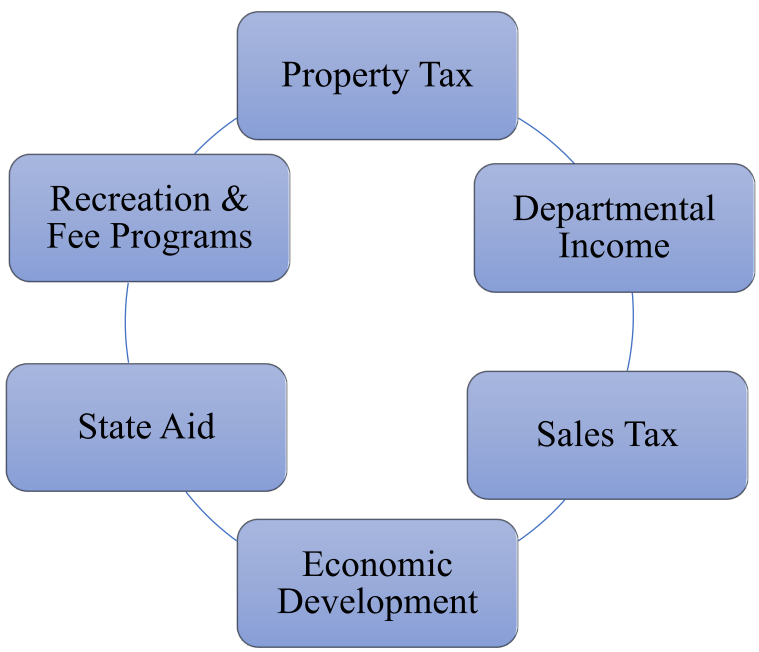
SECTION III
REVENUES

REVENUE INTRODUCTION

The Proposed Budget of the County for the fiscal year ending December 31, 2021, has been constructed with the use of approximately $322.1 million in revenues derived from various sources and $11.8 million in appropriated fund balance. Key sources of revenue, as depicted in the Proposed Budget, include sales tax, State aid and Federal aid, real property taxes and special assessments, State aid and departmental fees and charges. A summary of such revenues for the audited fiscal years ended December 31, 2010 through 2019, as budgeted for 2020 and as proposed by the County Executive for 2021 is discussed below. Information for certain fiscal years has been excerpted from the County's audited financial reports; however, such presentation has not been audited.

COVID-19 PANDEMIC REVENUE CONSTRAINT SUMMARY

The economic impact of COVID-19 is coming into sharper focus, and governmental entities across the United States are in the direct line of fire. The full economic impact of the pandemic is still developing and its duration is unknown. Since most local governments, including the County, depend on economic activity for tax revenues, the financial problems and declines in revenue are expected to continue during 2021 and through the foreseeable future.



Due to the dynamic nature of the COVID-19 outbreak, the degree of any continuing impact on the County's operations and finance, is extremely difficult to predict. There are many uncertainties relating to the pandemic's duration and severity, as well as with regard to what actions may be taken by governmental and other health care authorities to contain or mitigate its impact. As such, it will be important for the County to (i) continually monitor how revenues have been and will continue to be affected by the pandemic-induced economic downturn, (ii) use such proactive measures as may be required to maintain its operations and meet its obligations, and (iii) determine if and how soon its resources and reserves might be depleted.

Regardless of the coping strategies implemented, there will be a significant economic impact resulting from COVID-19 and the County will need to do more with fewer resources.

The remainder of this section discusses the primary revenue sources of the County, each of which include a more comprehensive and specific discussion of the COVID-19 pandemic.

SALES TAX

Section 1210 of the New York Tax Law (the "Tax Law") authorizes counties to levy sales and compensating use taxes of up to 3% in addition to the 4% sales tax levied by the State. Certain counties have received approval by the State Legislature to impose a sales and compensating use tax of greater than 3%. Sales and compensating use taxes are collected by the State and distributed to counties and municipalities of the State on a monthly basis.

A significant portion of County revenues are derived in the form of sales tax. Sales tax accounted for approximately 39.58% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2019 (the most recent audited fiscal year). A substantial portion of the Sales tax is anticipated to be lost in the future year(s) of the County as a result of the COVID-19 pandemic.

Sales Tax – Evaluation Methodology. While there is no singular method to evaluate key sources of revenue, such as sales tax, a comprehensive approach focusing on both external and internal fiscal indicators was implemented to identify structural weaknesses and potential risks.

In a typical year a fiscal trend analysis would act as both the starting point and foundation for conducting a review of the Proposed Budget. Nevertheless, the COVID-19 pandemic has significantly complicated the typical forecasting process, making it nearly impossible to forecast with any level of certainty. As a result, the trend analysis should be considered along with a peer benchmark analysis and budgetary variance analysis. Given current economic conditions, there exists several factors beyond the direct control of the County which could impact the 2021 fiscal year, perhaps significantly. As a result, it should be noted that a certain level of budgetary risk will be inevitable in 2021. A budgetary assessment based on the three aforementioned types of analysis will serve as a sound framework from which to make informed decisions.

Sales Tax – Trend Analysis. Exhibit RV-I, on the following page, sets forth the amount of sales tax reported in the County's Governmental Funds in the audited financial statements for the fiscal years ended December 31, 2010 through 2019, the amount included in the 2020 Adopted Budget and the amount in the County Executive's 2021 Proposed Budget.

Exhibit RV-I
Sales Tax and Governmental Funds Revenues
Fiscal Years December 31, 2010 to 2021

FY Ending Dec 31:	Governmental Funds Revenue (1) (2)	Sales Tax	% Sales Tax to Governmental Funds Revenues
2010 (Audited)	$301,763,718	$ 96,799,073	32.08%
2011 (Audited)	303,057,260	100,922,906	33.30
2012 (Audited)	331,413,243	103,582,388	31.25
2013 (Audited)	320,075,100	102,010,008	31.87
2014 (Audited)	302,308,918	104,667,661	34.62
2015 (Audited)	304,622,847	107,996,028	35.45
2016 (Audited)	322,984,842	112,184,274	34.73
2017 (Audited)	306,900,518	115,339,913	37.58
2018 (Audited)	318,337,385	120,322,069	37.80
2019 (Audited)	321,415,067	127,215,937	39.58
2020 (Adopted Budget) (3) (4)	330,295,094	128,561,423	38.92
2021 (Proposed Budget) (3) (4)	322,062,031	120,559,288	37.43

(1) Audited amounts include the General Fund, Debt Service Fund, Capital Projects Fund, UTASC and Total Nonmajor Funds.
(2) Exclusive of other financing sources.
(3) Budgeted amounts include the General Fund, Community Development Fund, County Road Fund, Road Machinery Fund, Self-Insurance Fund and Debt Service Fund.
(4) Budgeted amounts exclude the appropriation of $12.6 million in 2020 and $11.8 million in 2021.

Source: The audited financial statements for 2010 through 2019, the 2020 Adopted Budget and the 2021 Proposed Budget of the County. The summary itself is not audited.

On average, sales tax has historically accounted for more than 30% of County revenue in the Governmental Funds. For 2021, the proposed amount of sales tax equated to 37.43% of governmental revenues, which represents a 5% total increase over the time period measured.

Sales Tax – Benchmark Analysis. Similar to the trend analysis, the benchmarks were used to compare the County to its peers. As result of the COVID-19 pandemic, forecasting based on simple trending may result in budgetary risk. The benchmark analysis demonstrates how other peer counties have adjusted their budget forecasts to account for forecasting complications in 2021.

Exhibit RV-II sets forth the percent change of sales tax reported in the 2020 adopted and 2021 proposed/tentative/executive budgets of the county of Ulster, and peer counties of Dutchess, Greene, Orange, Putnam and Rockland.

Exhibit RV-II
Sales Tax - Benchmark Analysis
Adopted 2020 Budgets to Proposed 2021 Budgets

	County	2018 Estimated Population (1)	2020 Adopted Budget	2021 Proposed Budget	% Change
1.	Putnam	99,070	$ 64,408,000	$ 59,734,000	(7.26)%
2.	Ulster	179,303	128,561,423	120,559,288	(6.22)
3.	Rockland	323,686	211,500,000	204,000,000	(3.55)
4.	Dutchess	293,894	211,137,076	205,000,000	(2.91)
5.	Orange	378,227	220,994,773	220,994,773	0.00
6.	Greene	47,617	32,193,203	32,693,203	1.55

(1) Interim US Census Data (American Community Survey -5 Year Estimate).

Source: The tentative budgets and officials of the listed counties.

Relative to sales tax, the County conservatively proposed the second (2nd) lowest increase of the analyzed counties in connection with the 2021 fiscal year.

Sales Tax – Budgetary Variance Analysis. Operating budgets of the County were compared against the actual results for each of the fiscal years 2015 through 2019, inclusive. The results were utilized to evaluate a trend of accuracy relating to budgetary forecast.

Exhibit RV-III
Sales Taxes – Budgetary Variance Analysis
Fiscal Years December 31, 2015 to 2019

Fiscal Year	(Final) Adopted Budget	Actual Results	Positive (Negative) Variance
2019	$124,935,116	$127,215,937	$2,280,821
2018	118,007,318	120,322,069	2,314,751
2017	112,197,331	115,339,913	3,142,582
2016	110,051,041	112,184,274	2,133,233
2015	108,002,757	107,996,028	(6,729)

Source: The budgets of the County.

Positive budgetary variances were reported in each of the last five fiscal years excluding 2015.

Sales Tax – COVID-19 Related Revenue Challenges. Sales tax is the most important source of revenues for counties across the State of New York, averaging an approximately 26.1% of their revenues. For the County, sales tax accounted for approximately 39.58% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2019 (the most recent audited fiscal year). This means sales tax is more important to the County than the "typical" New York county. Unfortunately, according to the Office of the State Comptroller, sales tax is also the most likely form of revenue to be impacted as result of the economic pause and social distancing measures implemented to control the COVID-19 pandemic and the associated long-term economic impact remains unclear.

Typically, during times of economic downturn general spending behaviors continue, albeit at reduced levels. Goods are still purchased, restaurants remain patronized, and people continue to spend (moderately) on entertainment. Spending during a recession is reduced, not halted. The COVID-19 pandemic does not mirror a typical recession. COVID-19 resulted in the sudden closure of most businesses, entertainment and non-essential retail around the State and the Nation, followed by a slow phased-in reopening with many restrictions on attendance density.

The precipitous closure of businesses across New York State has had significant impacts on county finances across the State. In a press release dated April 30, 2020, the New York State Association of Counties ("NYSAC") forecasted that county sales collections could decline by upward of $1.9 billion (approximately 22%) over the course of 2020. By May of 2020, local sales tax collections were reportedly down $765 million, or 32.3%. For July through September of 2020, according to the Office of the State Comptroller, sales tax revenues were reportedly down by 9.5% (statewide, compared to July through September of 2019). This third quarter decline, although still concerning, showed improvement from the peak of the pandemic. It should be noted, not all counties were impacted the same over this period. In fact, during the third quarter, the County outperformed the State averages and actually showed a slight increase compared to 2019 results.

Although improving, it remains important to consider how the County faired during the peak of COVID-19 pandemic in order to determine how the potential impact of a resurgence during the 2021 fiscal year.

Exhibit RV-IV on the following page sets forth how different regions of the state were impacted during March through May of 2020.

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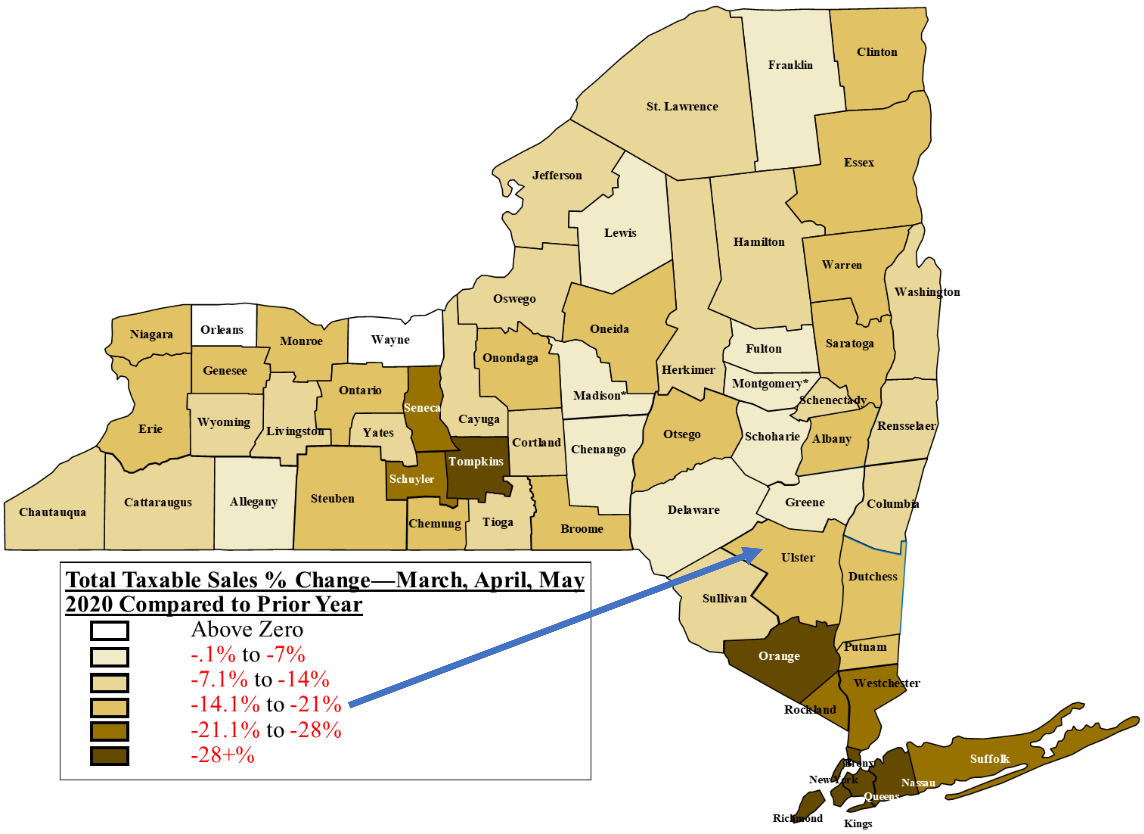
Exhibit RV-IV
<u>Sales Tax Collections – March Through May of 2020</u>



Source: The New York State Association of Counties.

***CMA Finding- Sales Tax**. At its peak, the COVID-19 pandemic resulted in sales tax declines which exceeded 20% in the County. Furthermore, not all counties are impacted the same by sales tax fluctuations. According to Data obtained from both NYSAC and the Office of the New York State Comptroller, the County is more reliant on sales tax than the "typical" NY County. We have examined the sales tax through the third quarter of 2020. Although starting to trend positively, we caution that County that sales tax needs to be monitored extremely closely and on a monthly basis. The Proposed 2021 Budget reduced sales tax by approximately 6%, this would not be enough to offset the losses in sales tax revenue should a resurgence of the COVID-19 pandemic occur during 2021.*

The table entitled "Sales Tax - Cautionary Reduction Table" provides a visual representation of sales tax reductions by percentage of the amount included in the 2021 Proposed Budget should a resurgence of the COVID-19 pandemic occur during 2021. The amount is based on an <u>annual</u> reduction, not monthly.

Sales Tax - Cautionary Reduction Table (Annual)

Sales Tax	*2021 Estimated Reduction*	*2021 Estimated Revenue*
2021 Proposed Budget	*N/A*	*$120,559,288*
5% Reduction	*(6,027,964)*	*114,531,324*
10% Reduction	*(12,055,929)*	*108,503,359*
15% Reduction	*(18,083,893)*	*102,475,395*
20% Reduction	*(24,111,858)*	*96,447,430*
25% Reduction	*(30,139,822)*	*90,419,466*

REAL PROPERTY TAXES

The collection of taxes on real property represents the County's second largest source of revenue. Real property taxes accounted for approximately 24.00% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2019 (the most recent audited fiscal year). The collection of real property taxes could be impacted as result of the COVID-19 pandemic.

Real Property Taxes – Evaluation Methodology. While there is no singular methodology to evaluate all key sources of revenue, a comprehensive approach focusing on both external and internal fiscal indicators was implemented to identify structural weaknesses and potential risks.

In a typical year a fiscal trend analysis would act as both the starting point and foundation for conducting a review of the Proposed Budget. Nevertheless, the COVID-19 pandemic has significantly complicated the typical forecasting process, making it nearly impossible to forecast with any level of certainty. As result, the trend analysis was be considered along with a peer benchmark analysis and budgetary variance analysis. Given current economic conditions, there exists several factors beyond the direct control of the County which could impact the 2021 fiscal year, perhaps significantly. As result, it should be noted that a certain level of budgetary risk will be inevitable in 2021. Nevertheless, the budgetary assessment based on the three aforementioned types of analysis will serve as a sound framework in which informed decisions can be made.

Real Property Taxes – Trend Analysis. Evaluating historical fiscal data provides constructive information that can be used to both identify structural imbalances and predict future risks.

Exhibit RV-V sets forth the amount of real property tax reported in the County's Governmental Funds in the audited financial statements for the fiscal years ended December 31, 2010 through 2019, the amount included in the 2020 Adopted Budget and the amount in the County Executive's 2021 Proposed Budget.

Exhibit RV-V
Real Property Taxes and Governmental Funds Revenues
Fiscal Years December 31, 2010 to 2021

FY Ending Dec 31:	Governmental Funds Revenue (1) (2)	Real Property Taxes	Other Real Property Tax Items	% RP Taxes & Tax Items to Governmental Funds Revenues
2010 (Audited)	$301,763,718	$75,200,899	$5,009,619	26.58%
2011 (Audited)	303,057,260	73,478,690	5,369,653	26.02
2012 (Audited)	331,413,243	78,922,796	5,834,255	25.57
2013 (Audited)	320,075,100	76,543,789	5,472,943	25.62
2014 (Audited)	302,308,918	76,324,942	6,333,802	27.34
2015 (Audited)	304,622,847	76,834,769	5,877,276	27.15
2016 (Audited)	322,984,842	75,151,112	6,048,264	25.14
2017 (Audited)	306,900,518	74,977,057	5,282,724	26.15
2018 (Audited)	318,337,385	75,082,199	5,624,634	25.35
2019 (Audited)	321,415,067	72,067,714	5,078,862	24.00
2020 (Adopted Budget) (3) (4)	330,295,094	76,317,758	5,435,000	24.75
2021 (Proposed Budget) (3) (4)	322,062,031	76,317,758	5,576,000	25.43

(1) Audited amounts include the General Fund, Debt Service Fund, Capital Projects Fund, UTASC and Total Nonmajor Funds.
(2) Exclusive of other financing sources.
(3) Budgeted amounts include the General Fund, Community Development Fund, County Road Fund, Road Machinery Fund, Self-Insurance Fund and Debt Service Fund.
(4) Budgeted amounts exclude the appropriation of $12.6 million in 2020 and $11.8 million in 2021.

Source: The audited financial statements for 2010 through 2019, the 2020 Adopted Budget and the 2021 Proposed Budget of the County. The summary itself is not audited.

Real property taxes account for 25.43% of governmental revenues in the 2021 Proposed Budget, which is generally consistent with prior years.

Real Property Taxes – Benchmark Analysis. Similar to the trend analysis, benchmarks were used to compare the County to its peers. As result of the COVID-19 pandemic, forecasting based on simple trending may result in budgetary risk. The benchmark analysis demonstrates how other peer counties have adjusted their budget forecasts to account for forecasting complications in 2021.

Exhibit RV-VI sets forth the percent change of real property tax reported in the 2020 adopted and 2021 proposed/tentative/executive budgets of the counties of Ulster, Dutchess, Greene, Orange, Putnam and Rockland.

Exhibit RV-VI
Real Property Taxes - Benchmark Analysis
Adopted 2020 Budgets to Proposed 2021 Budgets

	County	2018 Estimated Population (1)	2020 Adopted Budget	2021 Proposed Budget	% Change
1.	Orange	378,227	$253,836,593	$250,935,397	(1.14)%
2.	Dutchess	293,894	105,347,280	105,331,099	(0.02)
3.	Ulster	179,303	76,317,758	76,317,758	0.00
4.	Putnam	99,070	44,614,208	45,561,412	2.12
5.	Rockland	323,686	129,525,000	133,201,000	2.84
6.	Greene	47,617	27,309,370	28,270,711	3.52

(1) Interim US Census Data (American Community Survey -5 Year Estimate).

Source: The tentative budgets and officials of the listed counties.

Relative to real property taxes, the County conservatively proposed the third (3rd) lowest increase of the analyzed counties in connection with the 2021 fiscal year.

Real Property Taxes – Budgetary Variance Analysis. Operating budgets of the County were compared against the actual results for each of the fiscal years 2015 through 2019. The results were utilized to evaluate a trend of accuracy relating to budgetary forecast.

Exhibit RV-VII
Real Property Taxes – Budgetary Variance Analysis
Fiscal Years December 31, 2015 to 2019

Fiscal Year	(Final) Adopted Budget	Actual Results	Positive (Negative) Variance
2019	$75,509,031	$72,067,714	$(3,441,317)
2018	75,700,783	75,082,199	(618,584)
2017	75,893,016	74,977,057	(915,959)
2016	76,085,730	75,151,112	(934,618)
2015	76,943,104	76,834,769	(108,335)

Source: The budgets of the County

Negative variances were reported in each year of the fiscal years 2015 through 2019. At approximately $3.4 million, the greatest negative variance was reported for 2019.

Real Property Taxes – COVID-19 Related Revenue Challenges. Since real property taxes are locally controlled and not *immediately* impacted by economic change, they have *customarily* provided a source of revenue stability to local governments to lean on during turbulent financial times. Nevertheless, for a variety of reasons, the COVID-19 pandemic has abruptly challenged this notion.

- *Comparatively High Real Property Taxes and Ability to Pay.* New York's property taxes are comparatively high when benchmarked against other states. In fact, according to The Tax Foundation (the nation's leading independent tax policy nonprofit), on a per capita basis of $2,902, real property tax collection in New York ranked as the 4th highest state in the United States. The per capita for the United States, as a whole, was estimated to be $1,617. Further compounding the problem, during 2017 a Federal tax cap was imposed on the itemized deductions for state and local taxes.

- *State Imposed Real Property Tax Cap.* On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (as amended, the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to most local governments, independent special districts and to town and county improvement districts in the State, including the County.

  The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year. Pursuant to the Tax Levy Limitation Law and subject to applicable exclusions, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%), or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Please note, as result of applicable exclusions in the calculation, the actual tax levy may exceed 2%.

  A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the governing board, a local law to override such limitation for such coming fiscal year only.

  CMA Finding - Tax Levy Limitation Law Credit Consideration. *When conducting a rating analysis, the rating agencies consider a jurisdiction's ability and <u>willingness</u> to repay its debt obligations in full and on time. Passing the local law would speak directly to the County's willingness. The County is well rated and preserving its credit rating should be considered both a short and long-term goal. The 2021 Proposed Budget of the County for the 2021 fiscal year does not exceed the State imposed real property tax cap. In addition, over the five (5) most recent fiscal years, the County has not voted to or exceeded the cap. Although the County does not plan to override the tax cap in connection with the 2021 fiscal year, the Legislature should still consider passing local law authorizing the cap to be exceeded. Passing this legislation, even with the levy below the percentage allowed by the State, would be considered a credit positive by the credit rating agencies. Although presently stable, a downgrade of the County's credit rating would have a materially adverse impact upon the County's finances.*

If the COVID-19 pandemic is prolonged, municipal jurisdictions will likely remain under pressure to avoid real property tax increases. According to the Office of the State Comptroller, this will increase the likelihood of fiscal stress.

CMA Finding- Real Property Tax Levy. *The proposed property tax levy for 2021 of $76.3 million remains unchanged from the 2020 adopted levy.*

According to data obtained from the Office of the State Comptroller, preliminary statistics indicate the COVID-19 pandemic is stressing both residential and commercial real property tax bases at the local level. Taxpayers are believed to have concerns relating to their ability to pay. This is especially a concern for New York counties which are statutorily obligated to make local governments and schools districts whole for their uncollected taxes. The County is responsible for uncollected town and school district taxes. However, the County is not responsible for uncollected city, city school district or village taxes.

In a typical budget year, it would be customary for a municipal jurisdiction to increase the levy, likely up to the 2% calculation (inclusive of applicable deductions and exclusions). However, the levy must be carefully balanced against the tax base's ability to pay otherwise the risk becomes inherently built into the 2021 budget. If the burden on local taxpayers becomes too great, uncollected payments to towns and school districts could conceivably increase. Raising taxes at the County level may exacerbate these effects. For these reasons, and based on the benchmark analysis, CMA finds a levy below the 2% tax cap to be both conservative and appropriate for 2021. In addition, reserve funds in the Tax Stabilization Fund should be carefully preserved, monitored and analyzed to ensure availability in 2021 and beyond.

The table entitled "Real Property Taxes - Cautionary Reduction Table" provides a visual representation of real property tax reductions by percentage of the amount included in the 2021 Proposed Budget should a resurgence of the COVID-19 pandemic occur during 2021, resulting in the tax bases inability to pay amounts owed. The amount is based on an annual reduction, not monthly.

Real Property Taxed - Cautionary Reduction Table (Annual)

Real Property Taxes	2021 Estimated Reduction	2021 Estimated Revenue
2021 Proposed Budget	N/A	$76,317,758
1.00% Reduction	(763,178)	75,554,580
2.50% Reduction	(1,907,944)	74,409,814
5.00% Reduction	(3,815,888)	72,501,870
7.50% Reduction	(5,723,832)	70,593,926
10.00% Reduction	(7,631,776)	68,685,982

STATE AID

The County derives a major portion of its Governmental Funds revenue from State aid. State aid accounted for approximately 16.50% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2019 (the most recent audited fiscal year).

State Aid – Evaluation Methodology. While there is no singular method to evaluate key sources of revenue, such as State aid, a comprehensive approach focusing on both external and internal fiscal indicators was implemented to identify structural weaknesses and potential risks.

In a typical year a fiscal trend analysis would act as both the starting point and foundation for conducting a review of the Proposed Budget. Nevertheless, the COVID-19 pandemic has significantly complicated the typical forecasting process, making it nearly impossible to forecast with any level of certainty. As a result, the trend analysis was considered along with a peer benchmark analysis and budgetary variance analysis. Given current economic conditions, there exists several factors beyond the direct control of the County which could impact the 2021 fiscal year, perhaps significantly. As a result, it should be noted that a certain level of budgetary risk will be inevitable in 2021. Nevertheless, the budgetary assessment based on the three aforementioned types of analysis will serve as a sound framework in which informed decisions can be made.

State Aid – Trend Analysis. Evaluating historical fiscal data provides constructive information that can be used to both identify structural imbalances and predict future risks.

Exhibit RV-VIII sets forth the amount of State aid reported in the County's Governmental Funds in the audited financial statements for the fiscal years ended December 31, 2010 through 2019, the amount included in the 2020 Adopted Budget and the amount in the County Executive's 2021 Proposed Budget.

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Exhibit RV-VIII
State Aid and Governmental Funds Revenues
Fiscal Years December 31, 2010 to 2021

FY Ending Dec 31:	Governmental Funds Revenue (1) (2)	State Aid	% State Aid to Governmental Funds Revenues
2010 (Audited)	$301,763,718	$40,595,774	13.45%
2011 (Audited)	303,057,260	39,964,640	13.19
2012 (Audited)	331,413,243	44,799,731	13.52
2013 (Audited)	320,075,100	37,183,391	11.62
2014 (Audited)	302,308,918	44,533,486	14.73
2015 (Audited)	304,622,847	44,183,793	14.50
2016 (Audited)	322,984,842	57,016,650	17.65
2017 (Audited)	306,900,518	46,228,956	15.06
2018 (Audited)	318,337,385	53,772,166	16.89
2019 (Audited)	321,415,067	53,028,515	16.50
2020 (Adopted Budget) (3) (4)	330,295,094	54,165,167	16.40
2021 (Proposed Budget) (3) (4)	322,062,031	52,791,586	16.39

(1) Audited amounts include the General Fund, Debt Service Fund, Capital Projects Fund, UTASC and Total Nonmajor Funds.
(2) Exclusive of other financing sources.
(3) Budgeted amounts include the General Fund, Community Development Fund, County Road Fund, Road Machinery Fund, Self-Insurance Fund and Debt Service Fund.
(4) Budgeted amounts exclude the appropriation of $12.6 million in 2020 and $11.8 million in 2021.

Source: The audited financial statements for 2010 through 2019, the 2020 Adopted Budget and the 2021 Proposed Budget of the County. The summary itself is not audited.

State Aid – Benchmark Analysis. Similar to the trend analysis, the benchmarks were used to compare the County to its peer, downstate counties. As result of the COVID-19 pandemic, forecasting based on simple trending may result in budgetary risk. The benchmark analysis demonstrates how other peer counties have adjusted their budget forecasts to account for forecasting complications in 2021.

Exhibit RV-IX sets forth the percent change of State aid reported in the 2020 adopted and 2021 proposed/tentative/executive budgets of the counties of Ulster, Dutchess, Greene, Orange, Putnam and Rockland.

Exhibit RV-IX
State Aid - Benchmark Analysis
Adopted 2020 Budgets to Proposed 2021 Budgets

	County	2018 Estimated Population (1)	2020 Adopted Budget	2021 Proposed Budget	% Change
1.	Greene	47,617	$ 18,066,186	$ 14,591,653	(19.23)%
2.	Dutchess	293,894	84,290,729	80,796,715	(4.15)
3.	Orange	378,227	101,033,600	98,339,807	(2.67)
4.	**Ulster**	**179,303**	**54,165,167**	**52,791,586**	**(2.54)**
5.	Rockland	323,686	82,312,635	82,292,500	(0.02)
6.	Putnam	99,070	See Note (2)	See Note (2)	See Note (2)

(1) Interim US Census Data (American Community Survey -5 year estimate).
(2) State aid data for Putnam County was not readily available in connection with its tentative 2021 budget. However, officials from Putnam County indicated the methodology for budgeting State aid remained unchanged and if aid is not realized during 2021 they intend to modify the budget.

Source: The tentative budgets and officials of the listed counties.

Relative to State aid, the County proposed the fourth (4^{th}) lowest percent change of the analyzed counties in connection with the 2021 fiscal year.

State Aid – Budgetary Variance Analysis. Operating budgets of the County were compared against the actual results for each of the fiscal years 2015 through 2019. The results were utilized to evaluate a trend of accuracy relating to budgetary forecast.

Exhibit RV-X
State Aid – Budgetary Variance Analysis
Fiscal Years December 31, 2015 to 2019

Fiscal Year	(Final) Adopted Budget	Actual Results	Positive (Negative) Variance
2019	$53,608,402	$50,305,098	$(3,303,304)
2018	47,544,278	49,716,196	2,171,918
2017	43,574,624	40,622,837	(2,951,787)
2016	48,005,687	53,059,191	5,053,504
2015	45,373,136	40,553,167	(4,819,969)

Source: The audited financial statements of the County

Negative variances were reported in three years between 2015 through 2019.

COVID-19 State Response and Related Revenue Challenges. Governor Cuomo has released a number of executive orders in response to the COVID-19 pandemic, including various mandates requiring "non-essential" employees to work from home. As of March 22, 2020, 100% of such "non-essential" employees were mandated to work from home or take leave without accruals.

Starting on May 15, 2020, regions of the State that met certain criteria were allowed to begin reopening. Reopening is occurring in phases, with different industries allowed to open in each phase. Phase One generally includes construction, agriculture, forestry, fishing and hunting, retail (limited to curbside or in-store pickup or drop off), manufacturing, and wholesale trade. Phase Two generally includes professional services, retail, administrative support, real estate activities, and outdoor dining at restaurants (with certain restrictions). Phase Three generally includes dine-in food services and additional personal care services, and Phase Four generally includes arts, entertainment and recreational facilities, as well as education services (see https://forward.ny.gov/ for more details on the different phases, including which regions of the State are in which phase - reference to website implies no warranty of accuracy of information therein).

State Budget: In the early months of the pandemic, the City of New York had been at the epicenter of the COVID-19 pandemic in the United States, and as a result the State has suffered (and expects to continue to suffer) significant revenue shortfalls and unanticipated expenses. During August of 2020, the New York State Division of the Budget advised they projected a total revenue loss of $62 billion through the State's fiscal year ending 2024 as a direct consequence of the COVID-19 pandemic.

The State's 2020-2021 Adopted Budget authorizes the State's Budget Director to make periodic adjustments to nearly all State spending, including State Aid, in the event that actual State revenues come in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. Specifically, the legislation provides that the State Budget Director will determine whether the State's 2020-2021 budget is balanced during three "measurement periods": April 1 to April 30, May 1 to June 30, and July 1 to December 31. According to the legislation, if "a General Fund imbalance has occurred during any Measurement Period," the State's Budget Director will be empowered to "adjust or reduce any general fund and/or state special revenue fund appropriation ... and related cash disbursement by any amount needed to maintain a balanced budget," and "such adjustments or reductions shall be done uniformly across the board to the extent practicably or by specific appropriations as needed." The legislation further provides that prior to making any adjustments or reductions, the State's Budget Director must notify the Legislature in writing and the Legislature has 10 days following receipt of such notice to prepare and approve its own plan. If the Legislature fails to approve its own plan, the Budget Director's reductions take effect automatically.

It is anticipated that the State Budget Director's powers discussed herein will be activated and across-the-board and targeted reductions to local aid programs will be taken to close a substantial portion of the State fiscal year 2021 budget gap caused by the receipts shortfall. On April 25, 2020, the New York State Division of the Budget announced that the State fiscal year 2021 Enacted State Budget Financial Plan (the "Financial Plan"), projects a $13.3 billion shortfall as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions are expected to significantly reduce State spending in several areas, including "aid-to-localities," a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and not-for-profits. Reduced receipts are expected to carry through each subsequent year of the four-year Financial Plan through State fiscal year 2024.

As of the date of this Review, the State Division of the Budget has not released specifics about potential cuts to State aid overall or how any such cuts would be distributed State-wide among municipalities. Reductions in the payment of State aid could adversely affect the financial condition of municipalities in the State, including the County.

CMA Finding - State Aid. *Before the onset of the COVID-19 pandemic, State aid, barring known changes, could safely be increased by approximately 2% for preliminary budget estimates. However, as result of the extraordinary fiscal challenges exacerbated by the COVID-19 pandemic there is an extreme likelihood that State aid will decline during 2021. To account for these losses, State aid in the 2021 Proposed Budget was set at $52.8 million, representing a decrease of approximately 2.5% as compared to the amount included in the 2020 Adopted Budget and a decrease of 0.45% when compared to the actually amount received in 2019.*

The Risk: Although certain economic indices are trending positively, as winter approaches and as schools and other public facilities continue to (re-)open, the prolonged fiscal risks associated with COVID-19 remain. A reemergence would make it extremely likely that State (and Federal) spending on various programs, including aid to local governments, will continue to be reduced over 2021 (perhaps severely and significantly).

Worst Case Scenario: The State has yet to release substantive details relating to the magnitude and impact areas of aid cuts. However, in July of 2020, the State Comptroller released a report entitled "Local Government Revenue Challenges During the COVID-19 Pandemic." In its analysis, the Office of the State Comptroller calculated State aid impacts for a "typical" county using information from New York State Division of the Budget, New York Association of Counties and other sources. In the analysis, State aid was reduced by 20% for 2020. If the State does not receive additional federal support to offset revenue losses for the reminder of 2020 and during 2021, there is a risk that the 20% reduction to State aid would continue into 2021. For the purposes of the County, a reduction of this magnitude could result in an aid reduction of up to $10 million in each of the years 2020 and 2021.

Forecasting Complications. With such little information being provided by the State, it is extremely difficult to make aid assumptions with any level of certainty. During focused interviews with several key departments of the County, the lack of information from the State was highlighted by several of the respective department heads.

Since the upcoming elections could impact on State (and Federal) funding decisions, it is unlikely that aid information will be provided to the County prior to November 3rd.

Nevertheless, prior to the adoption of the 2021 Proposed Budget, he legislature should seek updates with respect to State aid assumptions.

Despite all of the unknowns, when compared to against six (6) other peer counties for 2021, three (3) of the counties had decreased their State aid projections at a greater level than the County. Based on this, the County was found to be somewhat conservative in its estimate for State aid. Nonetheless, there remains several factors outside of the County's direct control which could greatly influence and/or reduce State aid. For instance, as noted in the "worst case" scenario above, a resurgence of COVID-19 during the 2021 fiscal year could result in aid cut in the up to 20%. Reducing this State aid estimate in the budget would help to alleviate some of the related forecast risk.

The table entitled "State Aid - Cautionary Reduction Table" provides a visual representation of State Aid reductions by percentage of the amount included in the 2021 Proposed Budget should a resurgence of the COVID-19 pandemic occur during 2021. The amount is based on an annual reduction, not monthly.

State Aid - Cautionary Reduction Table (Annual)

State Aid	2021 Estimated Reduction	2021 Estimated Revenue
2021 Proposed Budget	N/A	$52,791,586
5% Reduction	(2,639,579)	50,152,007
10% Reduction	(5,279,159)	47,512,427
15% Reduction	(7,918,738)	44,872,848
20% Reduction	(10,558,317)	42,233,269
25% Reduction	(13,197,897)	39,593,690

FEDERAL AID

The County derives a major portion of its Governmental Funds revenue from Federal aid. Federal aid accounted for approximately 10.71% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2019 (the most recent audited fiscal year).

Federal Aid – Evaluation Methodology. While there is no singular method to evaluate key sources of revenue, such as Federal aid, a comprehensive approach focusing on both external and internal fiscal indicators was implemented to identify structural weaknesses and potential risks.

As stated in other revenue areas, in a typical year a fiscal trend analysis would act as both the starting point and foundation for conducting a review of the Proposed Budget. Nevertheless, the COVID-19 pandemic has significantly complicated the typical forecasting process, making it nearly impossible to forecast with any level of certainty. As result, the trend analysis should be considered along with a peer benchmark analysis and budgetary variance analysis. Given current economic conditions and unknown, there exists several factors beyond the direct control of the

County which could impact the 2021 fiscal year, perhaps significantly. As result, it should be noted that a certain level of budgetary risk will be inevitable in 2021. Nevertheless, the budgetary assessment based on the three aforementioned types of analysis will serve as a sound framework in which informed decisions can be made.

Federal Aid – Trend Analysis. Evaluating historical fiscal data provides constructive information that can be used to both identify structural imbalances and predict future risks.

Exhibit RV-XI sets forth the amount of Federal aid reported in the County's Governmental Funds in the audited financial statements for the fiscal years ended December 31, 2010 through 2019, the amount included in the 2020 Adopted Budget and the amount in the County Executive's 2021 Proposed Budget.

Exhibit RV-XI
Federal Aid and Governmental Funds Revenues
Fiscal Years December 31, 2010 to 2021

FY Ending Dec 31:	Governmental Funds Revenue (1) (2)	Federal Aid	% State Aid to Governmental Funds Revenues
2010 (Audited)	$301,763,718	$43,052,854	14.27%
2011 (Audited)	303,057,260	40,264,625	13.29
2012 (Audited)	331,413,243	48,566,682	14.65
2013 (Audited)	320,075,100	40,530,616	12.66
2014 (Audited)	302,308,918	37,210,280	12.31
2015 (Audited)	304,622,847	41,717,649	13.69
2016 (Audited)	322,984,842	40,776,057	12.62
2017 (Audited)	306,900,518	40,395,780	13.16
2018 (Audited)	318,337,385	37,286,906	11.71
2019 (Audited)	321,415,067	34,412,179	10.71
2020 (Adopted Budget) (3) (4)	330,295,094	33,095,059	10.02
2021 (Proposed Budget) (3) (4)	322,062,031	33,516,793	10.41

(1) Audited amounts include the General Fund, Debt Service Fund, Capital Projects Fund, UTASC and Total Nonmajor Funds.
(2) Exclusive of other financing sources.
(3) Budgeted amounts include the General Fund, Community Development Fund, County Road Fund, Road Machinery Fund, Self-Insurance Fund and Debt Service Fund.
(4) Budgeted amounts exclude the appropriation of $12.6 million in 2020 and $11.8 million in 2021.

Source: The audited financial statements for 2010 through 2019, the 2020 Adopted Budget and the 2021 Proposed Budget of the County. The summary itself is not audited.

Federal Aid – Benchmark Analysis. Similar to the trend analysis, the benchmarks were used to compare the County to its peers (downstate counties). As result of the COVID-19 pandemic, forecasting based on simple trending may result in budgetary risk. The benchmark analysis demonstrates how other peer counties have adjusted their budget forecasts to account for forecasting complications in 2021.

Exhibit RV-XII sets forth the percent change of Federal aid reported in the 2020 adopted and 2021 proposed/tentative/executive budgets of the counties of Ulster, Dutchess, Greene, Orange, Putnam and Rockland.

Exhibit RV-XII
Federal Aid - Benchmark Analysis
Adopted 2020 Budgets to Proposed 2021 Budgets

	County	2018 Estimated Population (1)	2020 Adopted Budget	2021 Proposed Budget	% Change
1.	Rockland	323,686	50,629,465	42,053,850	(16.94)%
2.	Orange	378,227	65,227,591	64,560,403	(1.02)
3.	**Ulster**	**179,303**	**33,095,059**	**33,516,793**	**1.27**
4.	Greene	47,617	9,445,338	9,779,586	3.54
5.	Dutchess	293,894	41,854,205	46,318,601	10.67
6.	Putnam	99,070	See Note (2)	See Note (2)	See Note (2)

(1) Interim US Census Data (American Community Survey -5 Year Estimate).
(2) State aid data for Putnam County was not readily available in connection with their tentative 2021 budget. However, officials from Putnam County indicated the methodology for budgeting State aid remained unchanged and if aid is not realized during 2021 they intend to modify the budget.

Source: The tentative budgets and officials of the listed counties.

Relative to Federal aid, the County proposed the third (3rd) lowest percent change of the analyzed counties in connection with the 2021 fiscal year.

Federal Aid – Budgetary Variance Analysis. Operating budgets of the County were compared against the actual results for each of the fiscal years 2015 through 2019. The results were utilized to evaluate a trend of accuracy relating to budgetary forecast.

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Exhibit RV-XIII
Federal Aid – Budgetary Variance Analysis
Fiscal Years December 31, 2015 to 2019

Fiscal Year	(Final) Adopted Budget	Actual Results	Positive (Negative) Variance
2019	$34,088,917	$30,121,920	$(3,966,997)
2018	36,411,761	32,235,751	(4,176,010)
2017	43,649,487	40,518,786	(3,130,701)
2016	38,762,248	33,309,006	(5,453,242)
2015	42,939,931	39,129,953	(3,809,978)

Source: The audited financial statements of the County

Negative variances were reported in each of the fiscal years December 31, 2015 through 2019.

COVID-19 Federal Response and Related Revenue Challenges. The federal government has passed several pieces of legislation in response to the COVID-19 pandemic including the $2.3 trillion Coronavirus Aid, Relief, and Economic Security ("CARES") Act, which attempt to address financial stability and liquidity issues through a variety of stimulus measures.

Stimulus Measures for Individuals and Businesses. Individual taxpayers who meet certain income limits received direct cash payments from the federal government. Unemployment rules have been changed to allow self-employed workers, independent contractors and others who would not normally qualify to receive benefits, and unemployment insurance recipients received an additional $600 per week payment until July 31, 2020.

Businesses will benefit from various federal tax law changes, including a payroll tax credit. Air carriers and businesses critical to national security are eligible for direct loans and loan guarantees from the United States Department of the Treasury, and the Federal Reserve has received financial support for its lending programs. Smaller businesses have been incentivized to keep workers in their jobs through the Paycheck Protection Program (offering short-term loans that can be forgiven in whole or in part).

Stimulus Efforts for State and Local Governments. The CARES Act includes a $150 billion Coronavirus Relief Fund, which provides funds to states, tribal governments and local governments with populations exceeding 500,000 (local governments with smaller populations can receive monies from the amount allocated to their state). This money is intended for programs that are necessary expenditures incurred due to the public health emergency resulting from the pandemic. This money is not intended to be used to directly account for revenue shortfalls due to the COVID-19 pandemic, but it may indirectly assist with revenue shortfalls in cases where the expenses that are being covered by this fund would otherwise create a further budget shortfall.

Municipal Liquidity Facility. The Federal Reserve established its "Municipal Liquidity Facility" ("MLF") that will offer up to $500 billion in direct federal lending to certain state and local issuers, subject to certain restrictions and limitations. Proceeds borrowed under the MLF may be used to help manage the cash flow impact of income tax deferrals resulting from an extension of income tax filing deadlines, potential reductions of tax and other revenues or increases in expenses related to or resulting from the pandemic, and requirements for the payment of principal and interest on outstanding obligations. Only counties with a population of 500,000 or more and cities with a population of 250,000 or more can participate in the program. An eligible issuer must have been rated at least BBB-/Baa3 as of April 8, 2020, by two or more national rating agencies. In New York State, the city of Buffalo (population 256,304), counties of Suffolk (1,476,601), Nassau (1,356,194), Westchester (967,506), Erie (918,7629 and Monroe (741,770), are the only MLF eligible issuers, other than the State itself and some of its agencies.

CMA Finding- Federal Aid*.* *As with State aid, there remains several factors outside of the County's direct control which could greatly influence and/or reduce Federal aid. Despite all of the unknowns, when compared to against six (6) other peer counties for 2021, only two (2) of the estimates were more conservative than that of the County. Although conservative, reducing budgetary estimates for Federal aid would reduce budgetary risk in 2021. As detailed in the budget variance analysis for this source, over the past several years, Federal aid has been over budgeted by $2-$3 million.*

We also caution the County, decisions at the Federal level could also impact State aid during 2021, perhaps significantly. For instance, if the Federal Government elects to reduce or eliminate portions of state funding, the State may have no choice but reduce local government spending and/or aid.

The table entitled "Federal Aid - Cautionary Reduction Table" provides a visual representation of Federal Aid reductions by percentage of the amount included in the 2021 Proposed Budget should a resurgence of the COVID-19 pandemic occur during 2021. The amount is based on an annual reduction, not monthly.

Federal Aid - Cautionary Reduction Table (Annual)

Federal Aid	2021 Estimated Reduction	2021 Estimated Revenue
2021 Proposed Budget	N/A	$33,516,793
2.50% Reduction	(837,920)	32,678,873
5.00% Reduction	(1,675,840)	31,840,953
7.50% Reduction	(2,513,759)	31,003,034
10.00% Reduction	(3,351,679)	30,165,114
12.50% Reduction	(4,189,599)	29,327,194

HOTEL OR MOTEL OCCUPANCY TAX

The Commissioner of Finance is responsible for the collection of hotel occupancy taxes imposed on the occupancy of hotel rooms, as authorized by the County Charter. According to the Charter, The term "hotel" or "motel" includes an apartment hotel, motor court or inn, boardinghouse or club, or similar hotel or motel type of accommodations by whatever name designated, whether or not meals are served, and shall include those facilities commonly known as "bed-and-breakfast" and "tourist" facilities.

Hotel or motel occupancy tax revenue accounted for approximately 0.63% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2019 (the most recent audited fiscal year). Hotel or motel occupancy taxes will be impacted as result of the COVID-19 pandemic.

Exhibit RV-XIV, on the following page, sets forth the amount of hotel or motel occupancy tax revenue reported in the County's Governmental Funds in the audited financial statements for the fiscal years ended December 31, 2010 through 2019, the amount included in the 2020 Adopted Budget and the amount in the County Executive's 2021 Proposed Budget.

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Exhibit RV-XIV
Hotel or Motel Occupancy Taxes and Governmental Funds Revenues
Fiscal Years December 31, 2010 to 2021

FY Ending Dec 31:	Governmental Funds Revenue (1) (2)	Hotel or Motel Occupancy Taxes	% Hotel or Motel Occupancy Tax to Governmental Funds Revenues
2010 (Audited)	$301,763,718	$ 988,583	0.33%
2011 (Audited)	303,057,260	1,046,017	0.35
2012 (Audited)	331,413,243	1,126,428	0.34
2013 (Audited)	320,075,100	1,187,511	0.37
2014 (Audited)	302,308,918	1,197,439	0.40
2015 (Audited)	304,622,847	1,310,887	0.43
2016 (Audited)	322,984,842	1,404,744	0.43
2017 (Audited)	306,900,518	1,530,160	0.50
2018 (Audited)	318,337,385	1,805,747	0.57
2019 (Audited)	321,415,067	2,032,778	0.63
2020 (Adopted Budget) (3) (4)	330,295,094	2,185,000	0.66
2021 (Proposed Budget) (3) (4)	322,062,031	2,000,000	0.62

(1) Audited amounts include the General Fund, Debt Service Fund, Capital Projects Fund, UTASC and Total Nonmajor Funds.
(2) Exclusive of other financing sources.
(3) Budgeted amounts include the General Fund, Community Development Fund, County Road Fund, Road Machinery Fund, Self-Insurance Fund and Debt Service Fund.
(4) Budgeted amounts exclude the appropriation of $12.6 million in 2020 and $11.8 million in 2021.

Source: The audited financial statements for 2010 through 2019, the 2020 Adopted Budget and the 2021 Proposed Budget of the County. The summary itself is not audited.

CMA Finding- Hotel or Motel Occupancy Tax. By comparison to most counties in New York, the Hotel/Motel tax charged by the County is considerably low. Most counties in the State charge in the range of 4-5% for this form of tax, while the County charges half this rate. Increasing the County's rate to match the "market rate" would roughly double this source, thereby adding an additional $2.0 million in revenue to the 2021 Proposed Budget. Since most individuals subject to this tax reside outside the County, an increase in this tax rate would have a negligible, negative impact on County residents. Nevertheless, we caution that this source could be negatively impacted by a resurgence of the COVID-19 pandemic.

DEPARTMENTAL REVENUES

The County derives revenues from various form of departmental fees and charges. Departmental revenue accounted for approximately 2.88% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2019 (the most recent audited fiscal year). A substantial portion of the Departmental tax is anticipated to be lost in the future year(s) of the County as result of the COVID-19 pandemic.

Exhibit RV-XV, on the following page, sets forth the amount of departmental revenue reported in the County's Governmental Funds in the audited financial statements for the fiscal years ended December 31, 2010 through 2019, the amount included in the 2020 Adopted Budget and the amount in the County Executive's 2021 Proposed Budget.

Exhibit RV-XV
Departmental Revenues and Governmental Funds Revenues
Fiscal Years December 31, 2010 to 2021

FY Ending Dec 31:	Governmental Funds Revenue (1) (2)	Departmental Revenues	% Departmental Revenues to Governmental Funds Revenues
2010 (Audited)	$301,763,718	$17,527,001	5.81%
2011 (Audited)	303,057,260	17,685,371	5.84
2012 (Audited)	331,413,243	17,169,138	5.18
2013 (Audited)	320,075,100	14,818,894	4.63
2014 (Audited)	302,308,918	10,904,121	3.61
2015 (Audited)	304,622,847	9,347,446	3.07
2016 (Audited)	322,984,842	10,386,132	3.22
2017 (Audited)	306,900,518	10,038,653	3.27
2018 (Audited)	318,337,385	9,688,696	3.04
2019 (Audited)	321,415,067	9,240,832	2.88
2020 (Adopted Budget) (3) (4)	330,295,094	9,923,745	3.00
2021 (Proposed Budget) (3) (4)	322,062,031	10,994,464	3.41

(1) Audited amounts include the General Fund, Debt Service Fund, Capital Projects Fund, UTASC and Total Nonmajor Funds.
(2) Exclusive of other financing sources.
(3) Budgeted amounts include the General Fund, Community Development Fund, County Road Fund, Road Machinery Fund, Self-Insurance Fund and Debt Service Fund.
(4) Budgeted amounts exclude the appropriation of $12.6 million in 2020 and $11.8 million in 2021.

Source: The audited financial statements for 2010 through 2019, the 2020 Adopted Budget and the 2021 Proposed Budget of the County. The summary itself is not audited.

Departmental Revenue – Budgetary Variance Analysis. Operating budgets of the County were compared against the actual results for each of the fiscal years 2015 through 2019. The results were utilized to evaluate a trend of accuracy relating to budgetary forecast.

Exhibit RV-XVI
Departmental Revenue – Budgetary Variance Analysis
Fiscal Years December 31, 2015 to 2019

Fiscal Year	(Final) Adopted Budget	Actual Results	Positive (Negative) Variance
2019	$9,935,811	9,240,832	$(694,979)
2018	9,392,297	9,688,696	296,399
2017	9,010,216	10,038,653	1,028,437
2016	10,246,214	9,930,170	(316,044)
2015	11,214,271	9,196,246	(2,018,025)

Source: The audited financial statements of the County

Negative variances were reported in each of the fiscal years 2015, 2016 and 2019.

CMA Finding- Departmental Revenue*. The County derives revenue from an assortment of user and service charges. Departmental income in the 2021 Proposed Budget total approximately $11.0 million dollars, an increase from prior years. Based on the variance analysis, budgeted revenues for this purpose have not always materialized. Considering the uncertainties surrounding 2021, a resurgence of the COVID pandemic would likely have an impact upon this source. To be conservative, departmental revenues should more closely match prior years.*

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Revenue Initiatives Not Otherwise Mentioned

Herein follows a concise summary of possible revenue initiatives identified by CMA that are not otherwise mentioned on Revenue Section of this Review. The revenue initiatives were selected for review of feasibility with County officials. Additional analysis and legal review may be required. The estimates were deemed reasonable by CMA based on their limited review yet may be subject to change and adjustment as additional investigations are performed by CMA or the County.

Revenue Initiatives Not Otherwise Mentioned			
Initiative		Relief Estimate	Detail
1.	Mortgage Recording Tax	$3.4 to $6.5 Million	Identified in a report by the County Comptroller, if the County adopted both a local Mortgage Recording Tax and a local Real Estate Transfer Tax like other counties in New York State, the County could have seen 2019 revenues of between $3.4 and $6.5 million depending on the structure of each tax. This opportunity should be further reviewed.
2.	Benchmarking ALL Fees	$1,000,000+	An in-depth benchmark study of user/service fees charged by peer jurisdictions would benefit the County and would result in increased revenue in an estimated amount above $1.0 million.
3.	Revise Investment Policy	$100,000+	The Investment Policy restricts the County to invest only within its limits. Removing this restriction would allow the County to maximize interest and earnings. The County typically has between $60-70 million in the bank at any given time. Even a small increase would result in a material amount of money.

4.	Enhanced Utilization of the IDA	Not Quantifiable at This Time but Significant	County officials indicated there may be opportunities present to better utilize the IDA. Do so could result in additional grant funds. This opportunity should be further reviewed for feasibility.
5.	Increase Health Department Fees	Not Quantifiable at This, Additional Info Would be Required	The County does not charged related fees to tax exempt organizations. This could be revisited and reconsidered.
6.	Centralization of Grant Oversight	Not Quantifiable at This Time but Significant	The County does not have a centralized grant department to oversee Countywide applications. This should be considered.

REVENUE ANALYSIS - CONCLUSION

Like many other public jurisdictions, in order to operate and provide adequate services to residents and other stakeholders, the County requires secure, predictable revenue sources which will grow on an annual basis to keep pace with expenditures. Annual growth of recurring revenue sources is an important factor since the County's largest expenditures (salaries, employee benefits, equipment, etc.) also increase annually. If revenues become stagnant and expenditure growth cannot be offset, the fiscal condition of the County will deteriorate.

As result of the COVID-19 pandemic, there exists significant and unknown factors outside of the direct control of the County which could (severely and significant) impact key revenue sources. As result, in is inevitable that a certain level of revenue risk will exist in the 2021 Budget. To limit risk of developing structurally imbalanced, revenues should be kept as conservative as possible.

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SECTION IV
EXPENDITURES

EXPENDITURE INTRODUCTION

The Proposed Budget of the County for the fiscal year ending December 31, 2021 includes total expenses of $338.8 million. These expenditures are proposed to be offset with $322.1 million in revenues and through the appropriation of approximately $11.8 million in fund balance.

Similar to the Revenue section of this Review, the methodology for conducting an analysis of various key expenditures of the County was primarily based on the following:

- *Expenditure Trend Analysis* – Evaluating historical fiscal data provides constructive information that can be used to both identify structural imbalances and predict future risks. Data covering a five-year period was analyzed in connection with the County.

- *Expenditure Benchmark Analysis* – Similar to the trend analysis, the benchmarks were used to compare the County to its peers (Mid-Hudson Region counties). Financial data for several counties was obtained from New York State and then converted to a per-capita basis.

- *Expenditure Variance Analysis* – Operating budgets were compared against the audited financial statements for each of the fiscal years 2010 through 2019. The results were utilized to evaluate accuracy.

- *Financial Ratios* – Utilizing data from the trend analysis, the financial ratios were used to quantify areas of strength and weakness.

Strategic Control of Expenditures. As result of the COVID-19 pandemic, there exists significant and unknown factors outside of the direct control of the County which could (severely and significantly) impact key revenue sources. Nevertheless, expenditures are believed to be more easily controllable since they can be strategically increased to match revenues in the event that the vast unknowns of 2021 develop favorably.

PERSONNEL CONSIDERATIONS

As is common with many municipal jurisdictions, the services provided by the County are extremely labor-intensive, and, as a result, employee wages and benefits account for the majority of the County's annual expenditures. Despite recent declines in staffing, expenditures relating to employee compensation (salaries and other fringe benefits) continue to be a major concern for the County's finances. In the 2021 Proposed Budget, salaries and wages constitute approximately

25.6% of total expenditures, while employee benefits account for an additional 15.9% of such expenditures.

CMA Finding – General Workforce. *In conducting interviews with various key departments of the County, several department heads indicated the size of their respective workforce was appropriate. Nevertheless, having conducted departmental interview for several municipal jurisdictions in New York, when asking this question CMA has found that departments heads predominantly advise that the staffing levels are insufficient. The number of County departments indicating appropriate staffing was deemed to be uncharacteristic based on CMA's limited departmental review. The response may be suggestive that the general staffing of the County is either right sized or in certain instanced additional reductions could possibly be sustained. Nevertheless, as result of a constrained timeline CMA did not conduct a comprehensive departmental workforce analysis to determine optimal staffing levels. This finding is purely intended to indicate an uncharacteristic response from the departmental interviews.*

PERSONNEL BENCHMARK ANALYSIS

Exhibit EXP-I on the following page provides a comparative analysis of the County's full-time employees represented by a collective bargaining unit against those of other Mid-Hudson Region counties. The Mid-Hudson Region includes the following counties: Ulster, Dutchess, Sullivan, Orange, Putnam, Rockland, and Westchester. Employees not represented but collective bargaining units are not included in the table.

Exhibit EXP-II
Workforce Benchmark Analysis
Represented Employees (1)
Mid-Hudson Region

County	Rank (2)	2018 Estimated Population	Estimated Represented Employees	Represented Employees To Population	Estimate As Of:
Westchester	1	968,815	4,173	232.2	06-23-20
Rockland	2	323,686	1,638	197.6	08-27-20
Dutchess	3	293,894	1,533	191.7	06-29-20
Ulster	***4***	***179,303***	***1,130***	***158.7***	***09-11-20***
Orange	5	378,227	2,401	157.5	06-26-20
Putnam	6	99,070	633	156.5	06-27-20
Sullivan	7	75,211	863	87.2	06-28-20

(1) The representation does not account for variations in services provided by each jurisdiction.
(2) Ranked from highest to lowest in terms of represented employees per capital (Population / Represented Employees).

Source: Information obtained from the MSRB (Official Statements and Annual Continuing Disclosure Filing Statements) and the U.S. Census Bureau.

By comparison to other Mid-Hudson Region counties, the County has a moderate sized workforce. As noted in Exhibit EXP-II, the County retains 1 employee per 158.7 residents, which ranks 4th of the counties measured.

Of note, as result of a recent retirement incentive program, the County's workforce is anticipated to be reduced during the 2021 fiscal year. According to County officials, approximately 125 individuals have elected to take advantage of the retirement program. Staffing reductions outside of normal attrition should be carefully considered on a targeted basis to mitigate complex and costly contractual matters.

CMA Finding – Strict, Objective 2021 Hiring Freeze. *As result of a recent retirement incentive program, the County's workforce is being reduced by approximately 125 individuals. Nevertheless, this reduction does not equate to the elimination of 125 job functions. In fact, County officials have indicated they would optimally like to rehire about 80 of these positions. Among other things, a hiring freeze was implemented by the County in 2020 as result of the COVID-19 pandemic.*

Staffing reductions outside of normal attrition should be carefully considered on a targeted basis to mitigate complex and costly contractual matters and to reduce the current, forthcoming and unknown fiscal costs associated with the COVID-19 Pandemic. A more strategic option for the County would be to continue a strict, yet objective, hiring freeze during 2021 in which only positions and/or functions deemed to be essential may be hired. To ensure objectivity in defining what constitutes an "essential" position, both the Legislature and the Executive should participate in this process. There are two reasons supporting this recommendation:

1. *As previously noted, various (key) departments interviewed by CMA indicated the size of their respective workforce as being appropriately matched to the services/tasks performed. This a highly uncharacteristic response which likely indicates the workforce could possibly sustain reductions without effecting service levels.*

2. *As detailed in the revenue section of this Review, as result of the COVID pandemic, there exists significant and unknown factors outside of the direct control of the County which could (severely and significant) impact key revenue sources. Conversely, 2021 expenditures are more able to be strategically controlled by the County. Since salaries and benefits constitute a significant portion of appropriations in the 2021 Proposed Budget, instituting a strict hiring freeze allowing only for the replacement of essential positioned would lessen the risk of structural financial deficits which could result if key revenues do not materialize as planned.*

Of the 125 employees taking advantage of the incentive, the average employee cost (salary and benefits) equated to approximately $80,000. However, some of the positions do receive offsetting funding (such as grants or aid) and certain positions may be able to be rehired at a lower salary scale. For the purpose of estimation, if the average cost of an employee is reduced to $70,000, sixty (60) vacancies would result in annual savings of approximately $4.2 million.

To properly address the long-term structural balance of the County's workflow and workforce a more comprehensive analysis beyond the scope of this Review would be required. Such an analysis would be time consuming, require legal consultation and likely the results would not yield immediate answers. As such, although personnel matters were reviewed in connection with the Review, it was done so with the intention of identifying uncharacteristic features and not to address any underlying (legal) limitations of union contracts. Nevertheless, a strict hiring freeze would be the most strategic option to appropriately control expenditures and reduce the risk of structurally unbalanced finances. Again, the process for determining "essential" positions needs to be objective.

STATUS OF COLLECTIVE BARGAINING AGREEMENTS

As of September 11, 2020, according to County officials, the County had 1,219 full-time employees and approximately 208 part-time employees.

Each of the five collective bargaining organizations representing County employees are highlighted in Exhibit EXP-I:

Exhibit EXP-I
County Employees and Collective Bargaining Organizations

Collective Bargaining Organization	Full-Time Employees	Part-Time Employees	Contract Expiration
Civil Service Employee's Association	781	69	*December 31, 2019 (1)*
Ulster County Sheriff's Association	149	10	*December 31, 2019 (1)*
Police Benevolent Association	55	24	*December 31, 2019 (1)*
Ulster County Staff Association	37	1	December 31, 2020
Superior Officer's Unit	4	0	*December 31, 2019 (1)*
TOTALS	1,026	104	

(1) According to the Personnel Director of the County, all collective bargaining negotiations are presently on hold as result of the COVID-19 pandemic. The contracts remain in force, as is, until a new agreement is reached.

Source: County officials.

CMA Finding – Collective Bargaining Risk. *Employee wages and benefits represent approximately 41.5% of the 2021 Proposed Budget. At the time of our review, the County had four expired collective bargaining agreements. The County faces a potentially significant increase in salary and wages when the other collective bargaining agreements are settled. The Personnel Director of the County has advised that all collective bargaining negotiations have been placed on hold as result of the COVID-19 pandemic.*

Given the uncertainty surrounding future fiscal conditions, there may be an opportunity to negotiate favorable contractual cost drivers. The County and its unions should carefully review and negotiate payout provisions in the next round of collective bargaining negotiations. Settling *large retroactive payments would require the use of fund balance. In recent years this has caused significant fiscal problems for other area counties, such as Westchester.*

HEALTH INSURANCE CONSIDERATIONS

The 2021 Proposed Budget of the County includes an appropriation of $26.8 million relating to the various form of health insurance. Like most jurisdictions, health insurance represents a major recurring expense of the County. The County should seek out ways to contain health insurance costs without cutting current benefit level.

Herein follows a brief discussion of various approaches which could be deployed by the County in an effort to reduce these costs. Of note, based on the targeted departmental interviews, the County appeared to be strategic and effective with respect to health insurance related decisions. The following suggestions are solely meant for the purpose of ensuring a focus is maintained on health insurance in future years. related decisions continue to be

Continue to Offer Cash Payment In Lieu of Health Benefits. The Proposed 2021 Budget includes an appropriation of $1.4 million to provide employees the option of a cash payment in lieu of County health benefits. Undoubtedly, some staff members may be able to seek coverage under a spouse's plan or another secondary source. This is considered a best practice and should be maintained in future years.

Further Exploration of Cooperative Agreement. The County could consider establishing a cooperative agreement with other local governments. This approach would allow the County to share the costs of the health plans, stabilize claim costs and negotiate with health providers by spreading costs among a larger risk pool. Nevertheless, size is a factor which should be considered. An oversized cooperative can actually result in negative savings.

Expanding Wellness Programs. Wellness programs promote healthy habits and include health assessment and monitoring, insurance incentives, and fitness and nutrition programs. Examples of programs instituted by other jurisdictions in the State have included discounts for non-smokers, walking programs and employee health fairs.

Ensure Employee Awareness. The County could consider offering employees incentives for reporting health care billing errors.

COVID-19 - Unanticipated Health Savings. Certain expenditures of the County have experienced an unexpected financial benefit resulting from the COVID-19 Pandemic. For instance, County officials have indicated that healthcare related claims for significantly decreased since March of 2020. Likely due to fears of contracting the virus or the unavailability of certain medical services, many insured employees have foregone elective and/or vision related procedures. County officials believe that these costs will continue to remain relatively level as the pandemic continues.

BUDGETARY VARIANCE ANALYSIS - GENERAL EXPENDITURES

The Government Finance Officers Association recommends the evaluation of fiscal performance relative to a jurisdiction's adopted budget. By monitoring results, structural problems can be identified and the excessive padding of expenditures can be detected. Findings of consistent, positive variances in expenditure categories can support budgetary reductions in those areas. For the purpose of the Review, a five-year analysis was conducted on the County's Governmental Funds. The findings of the variance analysis are provided in Exhibit EXP-II.

Exhibit EXP-II
Expenditure Variance Analysis

Expenditure	2015	2016	2017	2018	2019
General Government	$ 6,341,924	$ 4,755,471	$ 4,493,359	$4,442,526	$5,672,878
Education	567,820	205,669	67,980	3,350	17,548
Public Safety	3,936,145	2,051,728	2,634,231	2,423,497	1,753,001
Public Health	1,983,909	2,008,381	2,264,091	1,523,694	1,186,434
Transportation	3,373,726	3,667,902	2,681,818	1,754,399	1,808,223
Economic Assistance	12,374,815	8,505,706	8,628,320	2,256,182	2,465,853
Cultural & Recreation	79,887	114,052	139,340	134,293	127,932
Home & Community	2,332,272	1,956,107	1,106,348	1,409,873	2,514,421
Employee Benefits	343,039	246,242	99,090	1,403,092	49,169
Debt Service	106,763	217,063	3,254	1,160	392,373
TOTALS	$31,440,300	$23,728,321	$22,117,831	$15,352,066	$15,987,832

Source: The audited financial statements of the County.

CMA Finding – Expenditure Variance Analysis. *The findings for expenditures sharply contrasted that of revenues. For each of the fiscal years ended December 31, 2015 through 2019, the sum of variances reported for expenditures, excluding transfers, were positive by $31.4 million, $23.7 million, $22.1 million, $15.4 million and $15.9 million, respectively. Although a small annual variance would be appropriate, the disproportionate positive expenditure variances are suggestive of excessive slack in the budget.*

General Expenditure Benchmark Analysis

The benchmark analysis evaluates various categories of County expenditures against those of other counties in the Mid-Hudson Region of the State. Such statistics will provide a baseline for measuring the cost of County operations and services. To align costs across each of the measured counties, each component was converted to a per capita cost.

Data for this section was obtained from New York State and the Empire Center and is portrayed directly as it was reported.

General Government Spending. According to the New York Office of the State Comptroller, general government supports are those services provided by the jurisdiction for the benefit of the public or governmental body as a whole. Exhibit EXP-III provides a per capita classification of general government support expenditures for each of the Mid-Hudson counties.

Exhibit EXP-III
BASED ON 2018 DATA
Expenditure Benchmark Analysis – General Government Support

County	Rank	2018 Per Capita Est. Spending
Orange	1	$681
Westchester	2	522
Ulster	**3**	**411**
Dutchess	4	401
Sullivan	5	349
Rockland	6	247
Putnam	7	212

(1) The categorization of expenditures was determined by the Office of State Comptroller and the numbers represented are those reported by the State. The State was unable to provide additional details relating to the composition of each sub-category. As such, a variation in the reporting of the sub-categories amongst the jurisdictions is possible. The presentation is for discussion purposes. CMA cannot guarantee data accuracy or completeness.
(2) Rank is highest to lowest (1 being the highest spending, 7 the lowest spending).

Source: The Empire Center, New York State and other official government sources.

Relative to general government support, the County posted the third highest expenditures of the Mid-Hudson counties for 2018, the most recent year for which such information is available.

Public Safety. According to the New York Office of the State Comptroller, public safety expenditures relate to costs for the protection of persons and property. Exhibit EXP-IV provides a per capita classification of public safety expenditures for each of the Mid-Hudson counties.

Exhibit EXP-IV
BASED ON 2018 DATA
Expenditure Benchmark Analysis – Public Safety

County	Rank	2018 Per Capita Est. Spending
Sullivan	1	$705
Putnam	2	291
Westchester	3	225
Dutchess	4	212
Orange	5	197
Rockland	6	194
Ulster	**7**	**183**

(1) The categorization of expenditures was determined by the Office of State Comptroller and the numbers represented are those reported by the State. The State was unable to provide additional details relating to the composition of each sub-category. As such, a variation in the reporting of the sub-categories amongst the jurisdictions is possible. The presentation is for discussion purposes. CMA cannot guarantee data accuracy or completeness.

(2) Rank is highest to lowest (1 being the highest spending, 7 the lowest spending).

Source: The Empire Center, New York State and other official government sources.

Relative to public safety, the County posted the lowest expenditures on a per capita basis of the Mid-Hudson counties for 2018, the most recent year for which such information is available. As discussed, services provided were not considered as part of this benchmark analysis.

Public Health. According to the New York Office of the State Comptroller, health expenditures relate to costs for the conservation and improvement of health. Exhibit EXP-V provides a per capita classification of public health expenditures for each of the Mid-Hudson counties.

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Exhibit EXP-V
BASED ON 2018 DATA
Expenditure Benchmark Analysis – Public Health

County	Rank	2018 Per Capita Est. Spending
Sullivan	1	$418
Orange	2	207
Dutchess	3	203
Rockland	4	141
Putnam	5	105
Ulster	**6**	**82**
Westchester	7	51

(1) The categorization of expenditures was determined by the Office of State Comptroller and the numbers represented are those reported by the State. The State was unable to provide additional details relating to the composition of each sub-category. As such, a variation in the reporting of the sub-categories amongst the jurisdictions is possible. The presentation is for discussion purposes. CMA cannot guarantee data accuracy or completeness.
(2) Rank is highest to lowest (1 being the highest spending, 7 the lowest spending).

Source: The Empire Center, New York State and other official government sources.

Relative to public health, at $82 per capita, the County posted the 6th lowest expenditure of the Mid-Hudson counties for 2018, the most recent year for which such information is available.

Transportation. According to the New York Office of the State Comptroller, transportation expenditures relate to costs for services to ensure the safe and adequate flow of vehicles and pedestrians. Exhibit EXP-VI provides a per capita classification of transportation expenditures for each of the Mid-Hudson counties.

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Exhibit EXP-VI
BASED ON 2018 DATA
Expenditure Benchmark Analysis – Transportation

County	Rank	2018 Per Capita Est. Spending
Westchester	1	$313
Sullivan	2	306
Rockland	3	188
Ulster	**4**	**182**
Putnam	5	139
Dutchess	6	119
Orange	7	108

(1) The categorization of expenditures was determined by the Office of State Comptroller and the numbers represented are those reported by the State. The State was unable to provide additional details relating to the composition of each sub-category. As such, a variation in the reporting of the sub-categories amongst the jurisdictions is possible. The presentation is for discussion purposes. CMA cannot guarantee data accuracy or completeness.

(2) Rank is highest to lowest (1 being the highest spending, 7 the lowest spending).

Source: The Empire Center, New York State and other official government sources.

Per capita transportation costs ranked the 4th highest among Mid-Hudson counties.

Cultural and Recreational. According to the New York Office of the State Comptroller, this form of expenditure relate to cultural and recreational activities which benefit both residents and visitors to the County. Exhibit EXP-VII provides a per capita classification of cultural and recreational expenditures for each of the Mid-Hudson counties.

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Exhibit EXP-VII
BASED ON 2018 DATA
Expenditure Benchmark Analysis – Cultural and Recreational

County	Rank	2018 Per Capita Est. Spending
Westchester	1	$69
Putnam	2	56
Ulster	**3**	**41**
Sullivan	4	32
Orange	5	15
Dutchess	6	12
Rockland	7	5

(1) The categorization of expenditures was determined by the Office of State Comptroller and the numbers represented are those reported by the State. The State was unable to provide additional details relating to the composition of each sub-category. As such, a variation in the reporting of the sub-categories amongst the jurisdictions is possible. The presentation is for discussion purposes. CMA cannot guarantee data accuracy or completeness.
(2) Rank is highest to lowest (1 being the highest spending, 7 the lowest spending).

Source: The Empire Center, New York State and other official government sources.

Relative to cultural and recreational activities, at $41 per capita, the County posted the 3rd highest expenditure of the Mid-Hudson counties for 2018, the most recent year for which such information is available.

Community Services. According to the New York Office of the State Comptroller, Community Service expenditures relate to services provided to the community as a whole. Exhibit EXP-VIII provides a per capita classification of community services expenditures for each of the Mid-Hudson counties.

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Exhibit EXP-VIII
BASED ON 2018 DATA
Expenditure Benchmark Analysis – Community Services

County	Rank	2018 Per Capita Est. Spending
Putnam	1	$76
Rockland	2	35
Dutchess	3	34
Ulster	**4**	**23**
Orange	5	21
Sullivan	6	15
Westchester	7	6

(1) The categorization of expenditures was determined by the Office of State Comptroller and the numbers represented are those reported by the State. The State was unable to provide additional details relating to the composition of each sub-category. As such, a variation in the reporting of the sub-categories amongst the jurisdictions is possible. The presentation is for discussion purposes. CMA cannot guarantee data accuracy or completeness.

(2) Rank is highest to lowest (1 being the highest spending, 7 the lowest spending).

Source: The Empire Center, New York State and other official government sources.

Relative to community services, at $23 per capita, the County posted the 4th highest expenditure of the Mid-Hudson counties for 2018, the most recent year for which such information is available. It is important to note, State aid and/or grants is sometimes received by the County as a means to offset staffing costs for certain community services.

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EXPENDITURE INITIATIVES NOT OTHERWISE MENTIONED

Herein follows a concise summary of possible revenue initiatives identified by CMA that are not otherwise mentioned on Expenditure Section of this Review. The expenditure initiatives were selected for review of feasibility with County officials. Additional analysis and legal review may be required. The estimates were deemed reasonable by CMA based on their limited review yet may be subject to change and adjustment as additional investigations are performed by CMA or the County.

EXPENDITURE INITIATIVES NOT OTHERWISE MENTIONED			
Initiative		Relief Estimate	Detail
1.	Strategic Management of Health Insurance	$1,000,000	Through strategic management of health insurance, costs could be reduced. The savings assumes slightly less than a 3.7% reduction of the 2021 budget appropriation.
2.	Contract an Energy Consultant	$600,000	Suffolk County previously utilized a similar type of consultant and realized annual savings in excess of $600,000 (of note, this is net of the consultant's fee).
3.	Elimination of All Physical Payroll Checks, Deposit Notices and Vendor Checks	$200,000	Cost savings of between $2.50 and $10.00 a check could be achieved based on banking industry standards relating to costs per check. The savings assumes $5.00 per check on 40,000 transactions.
4.	Consider the Consolidation of Central Garage and the Highway Garage	$170,000	The savings represent the elimination of duplicative staff positions and space that was previously leased.

5.	Strategic Management of Retiree Health Insurance Premiums	$12,000	The savings estimate represents the average amount of realized by jurisdictions that were included in an OSC audit.
6.	Strategic Management of Workers' Compensation Claims	Material (but Indeterminate) Cost Savings	The County reduced the budgeted amount for 2021 for workers compensation costs. Strategic planning and monitoring should be done to ensure the budgeted amount is not exceeded.
7.	Increased Digitalization of Documents	Not Quantifiable at This Time but Significant	The County Clerk believes opportunities to increase the usage of digitalized documents is possible. The Clerk will be able to conduct saving quantifications in connection with this initiative.
8.	Development of Clerical Pool	Not Quantifiable at This Time but Significant	CMA believes that there could be material (but indeterminate) cost savings if the County created an employee pool with generic titles that could be transferred between departments to meet peak workload requirements and reduce overtime or maximize revenue generation.
9.	Strategic Review of Unemployment Claims	Not Quantifiable at This Time but Significant	As result of the COVID pandemic, the County has been recently plagued with unemployment claims, several of which may be fraudulent. A strategic analysis of this should be conducted.

EXPENDITURE ANALYSIS - CONCLUSION

Despite recent declines in staffing, expenditures relating to employee compensation (salaries and other fringe benefits) continue to be the County's largest recuring expenditure. As result of the COVID-19 pandemic, there exists significant and unknown factors outside of the direct control of the County which could (severely and significant) impact key revenue sources. Expenditures can more easily be controlled and/or increased to match favorable revenue results. As such, the workforce, union contracts and benefits will need to be carefully monitored during 2021. Doing so will greatly assist the County in its ability to reduce the risk of developing long-term structurally imbalanced finances.

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SECTION V
FUND BALANCE

FUND BALANCE INTRODUCTION

Fund balance is the total accumulation of annual operating surpluses and/or deficits in an operating fund. It is an integral part of a jurisdiction's financial health since it provides a safety net which can reduce the impact of unforeseen occurrences and be drawn upon to meet financial obligations in difficult times. For these reasons, it is closely monitored by the State, municipal credit rating agencies, current and prospective holders of County debt obligations and by a variety of other County stakeholders.

Undoubtedly, most municipal jurisdictions will be facing budgetary shortfalls due to the vast impacts of the COVID-19 pandemic. Nevertheless, the appropriation of fund balance to bridge funding gaps is a decision that should be very carefully evaluated. As a "one-shot" form of funding that can be utilized to hedge against risk, depleting such amounts to a large degree could leave the County exposed. This is particularly the case since the long-term fiscal impact of the COVID-19 pandemic remain unclear. In addition, it should be noted there are various types of fund balance and not all can be considered to offset spending for budgetary purposes. For instance, certain types of restricted and non-spendable fund balance, such as inventories and pre-paid items, may not be considered for appropriation.

Herein follows a concise analysis of historical and forecasted levels fund balance in the primary funds of the County.

2021 APPROPRIATED FUND BALANCE

As noted in the 2021 Proposed Budget message, the budget was balanced with the use of \$11,755,782 in fund balance and reserves. However, the budget message does not include the appropriation of \$1,458,185 in reserve funds. Combined, the Proposed budget includes the appropriation of \$13,213,967 in fund balance and reserves.

Exhibit FB-I and Exhibit FB-II provide a tabular and visual summary appropriated fund balance and reserves in the Proposed 2021 Budget.

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Exhibit FB-I

2021 Proposed Budget Appropriations of Fund Balance and Reserves (Table_

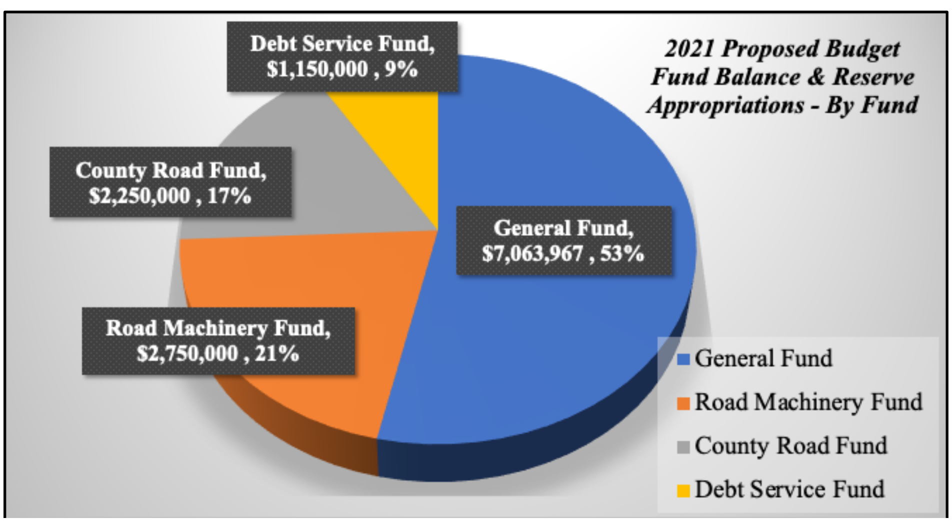
APPROPRIATED FUND BALANCE		
County Fund	**Purpose**	**Appropriated Amount**
General Fund	Current Year Budget	$ 5,605,782
Road Machinery Fund	Current Year Budget	2,750,000
County Road Fund	Current Year Budget	2,250,000
Debt Service Fund	Current Year Budget	1,150,000
TOTAL FUND BALANCE APPROPRIATIONS		**$11,755,782**
APPROPRIATED RESERVES		
County Fund	**Purpose**	**Appropriated Amount**
General Fund	Reserves E-911 Surcharges	$ 852,885
General Fund	Reserves Future Capital Projects	500,000
General Fund	Reserves Probation V&T Fees	55,300
General Fund	Reserves Environmental Reserve	50,000
TOTAL RESERVE APPROPRIATIONS		**$ 1,458,185**

Source: The 2021 Proposed Budget.

Exhibit FB-II

2021 Proposed Budget

2021 Proposed Appropriations of Fund Balance and Reserves (Chart)



Source: The 2021 Proposed Budget.

GENERAL FUND

General Fund - Historic Trend of Fund Balance Composition. During the fiscal years December 31, 2015 to 2019, *total* fund balance in the County's General Fund had been relatively stable with a slight decline in 2019. Unassigned fund balance, which is considered to be the most liquid form of fund balance, increased in 2015 though 2018 but then decreased abruptly in 2019.

Exhibit FB-III and Exhibit FB-IV provide a tabular and visual summary of the composition of fund balance in the County's General Fund over the period December 31, 2015 through 2019.

Exhibit FB-III
General Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)

GENERAL FUND					
Fiscal Year Ending December 31:	**2015**	**2016**	**2017**	**2018**	**2019**
Fund Equity:					
Restricted (1)	$6,892,034	$7,296,312	$7,271,880	$7,558,995	$7,638,388
Non-Spendable (2)	6,246,619	5,941,493	5,942,611	5,910,604	6,051,109
Assigned (3)	20,400,533	20,652,141	15,584,890	10,066,374	12,819,744
Unassigned (4)	***20,751,355***	***25,284,623***	***27,001,859***	***34,454,035***	***24,053,917***
TOTALS	**$54,290,541**	**$59,174,569**	**$55,801,240**	**$57,990,008**	**$50,563,158**

(1) *Restricted Fund Balance* is comprised of monies that are subject to enforceable legal restrictions. These restrictions are generally imposed by creditors, governing laws and/or regulations or through constitutional provisions or enabling legislation.

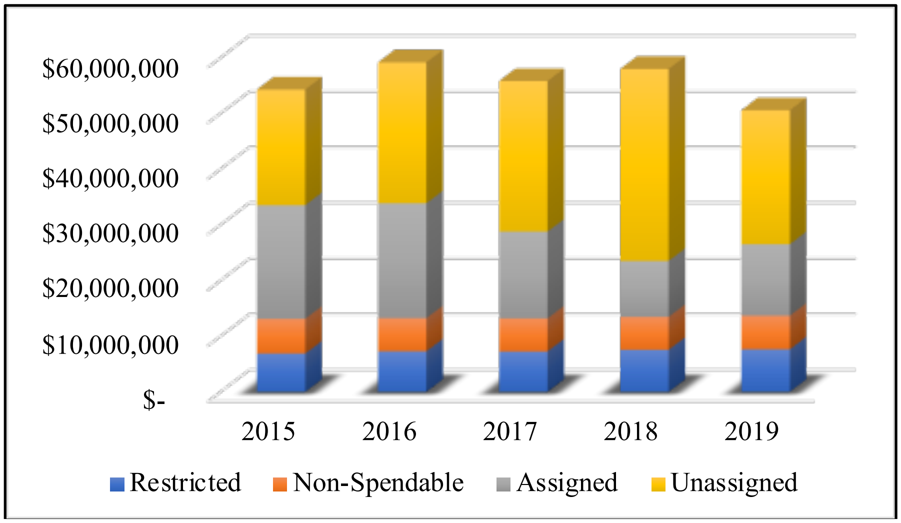
(2) *Non-Spendable Fund Balance* is comprised of assets that are inherently "non-spendable" during the current period as result of their form or since they must be maintained intact. Non-spendable funds typically include prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale and principle of endowments.

(3) *Assigned Fund Balance* is comprised of funds that are constrained for only specifically intended purposes which are formally designated by the governing body of the jurisdiction. The purpose of the assignment is required to be narrower than the purpose of the General Fund, and in funds other than the general fund assigned fund balance represents the residual amount of fund balance.

(4) *Unassigned Fund Balance* represents the residual amount of fund balance in the General Fund.

Source: The Office of the New York State Comptroller.

Exhibit FB-IV
GENERAL FUND
Composition of Fund Balance – Chart
Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)



Source: The Office of the New York State Comptroller.

General Fund - Budgetary Appropriation of Fund Balance. During the fiscal years December 31, 2016 to 2021, the appropriation of fund balance in the annual budget decreased significantly from approximately $15.6 million to $5.6 million. However, the amount of budgeted reserves increased substantially from $0.3 million in 2016 to $1.5 million in 2021, an increase of 473.0%.

Exhibit FB-V and Exhibit FB-VI provide a tabular and visual summary of fund balance and reserve appropriations in the adopted General Fund budgets of the County for the fiscal years 2016 to 2020 and as proposed for the 2021.

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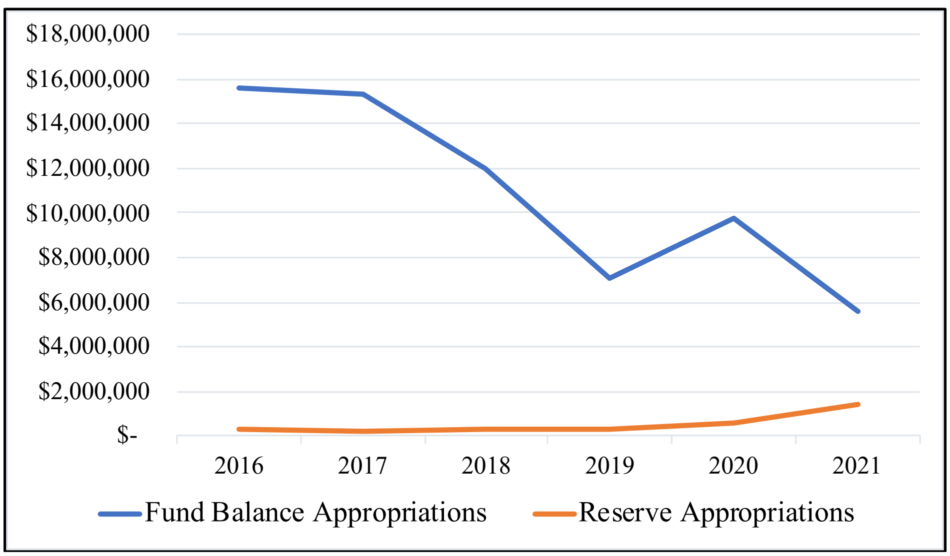
Exhibit FB-V
Budgetary Appropriation of Fund Balance and Reserves - Table
Fiscal Years Ended December 31, 2016 to 2021

GENERAL FUND			
Year Ending December 31:	Fund Balance Appropriation	Reserve Appropriation	TOTAL (Fund Balance & Reserves)
2016 (Adopted)	$15,623,624	$ 254,506	$15,878,130
2017 (Adopted)	15,344,341	215,450	15,559,791
2018 (Adopted)	11,946,784	262,495	12,209,279
2019 (Adopted)	7,082,711	277,850	7,360,561
2020 (Adopted)	9,717,742	578,735	10,296,477
2021 (Proposed)	5,605,782	1,458,185	7,063,967

Source: The adopted and proposed budgets of the County.

Exhibit FB-VI
GENERAL FUND
Budgetary Appropriation of Fund Balance and Reserves - Chart
Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)



Source: The adopted and proposed budgets of the County.

CMA Finding – General Fund Appropriation of Fund Balance and Reserves. *The 2021 Proposed Budget includes various discussions, summaries and charts relating the appropriation of fund balance which lack transparency. In the General Fund, $5.6 million of fund balance is appropriated. Although included in the budget detail, the charts and summaries do not include the planned use of General Fund reserves, which equates to an additional $1.5 million. Based on a historical trend analysis of budgeted reserves, for 2021 this amount was increased significantly. Over the fiscal years 2016 through 2019, the appropriation of reserves averaged approximately $252,575. For fiscal 2020 (adopted) and 2021 (proposed) reserve appropriations increased to $578,735 and $1,458,185, respectively. Thus, over the period 2016 to 2021, the appropriation of reserves in the General Fund budget increased by approximately 473.0%.*

CMA Finding – Tax Stabilization Fund. *The County established the Tax Stabilization Reserve Fund (the "Stabilization Fund") in November 2014. The Stabilization Fund's provisions allow proceeds to be used to provide a buffer to taxpayers experiencing property tax increases greater than 2.5%. Although called a tax stabilization fund, these monies can also be used to cover budget contingencies such as revenue shortfalls or unanticipated expenditures. As of fiscal 2019, the Stabilization Fund reported a balance of $2,594,110. CMA understands the County Executive has requested legislative approval to draw down the Stabilization to offset County expenses related to the COVID-19 pandemic. The Stabilization Fund was launched with an initial deposit of $1.5 million. The proposed draw down of it would bring the remaining balance to below the amount of the initial deposit which could be viewed negatively by various stakeholders of the County. The 2021 Proposed Budget chart entitled "Estimated Operating Fund Balance End of 2020 After Deducting Reserves" appears to assume the use of monies in the Tax Stabilization Fund during 2020.*

We caution the County, by comparisons to other Mid-Hudson region counties, its fund balance appears low. Further drawing on reserves could but the County in a precarious position. For instance, if the tax base's ability to pay becomes strained during 2021 or beyond, uncollected tax payments to towns and schools may be increased. To make such payments, the County may need to draw on reserves. As such, carefully preserving fund balance is critical to the long-term success of the County.

COMMUNITY DEVELOPMENT FUND

Community Development Fund - Historic Trend of Fund Balance. The Community Development Fund is utilized by the County to account for proceeds received under the Workforce Investment Act and Community Development Block Grant programs. During the fiscal years December 31, 2015 to 2019, fund balance the County's Community Development Fund increased by approximately 99.3%, from $116,323 to $282,732.

Exhibit FB-VII and Exhibit FB-VIII provide a tabular and visual summary of the composition of fund balance in the County's Community Development Fund over the period December 31, 2015 through 2019.

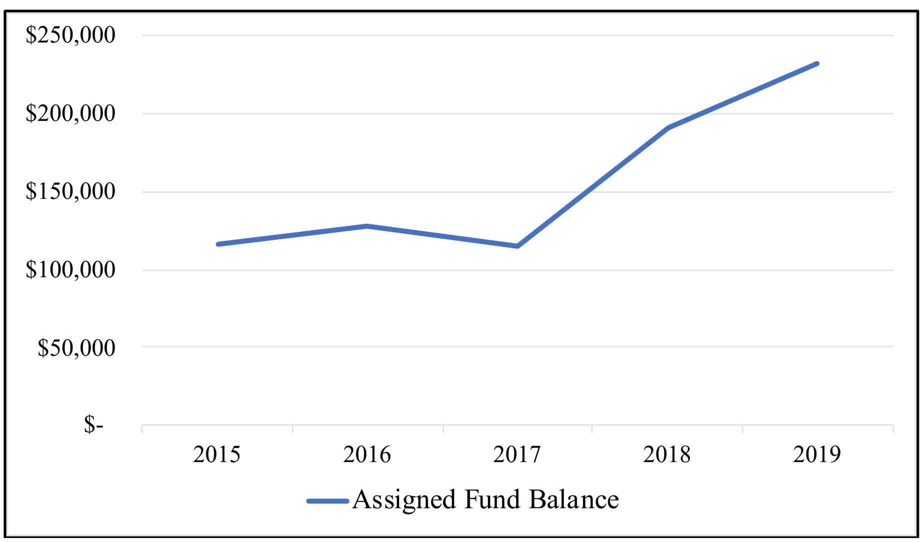
Exhibit FB-VII
Community Development Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)

COMMUNITY DEVELOPMENT FUND					
Fiscal Year Ending December 31:	**2015**	**2016**	**2017**	**2018**	**2019**
Fund Equity:					
Assigned	$116,323	$127,469	$115,573	$191,099	$231,794
TOTALS	**$116,323**	**$127,469**	**$115,573**	**$191,099**	**$231,794**

(1) *Assigned Fund Balance* is comprised of funds that are constrained for only specifically intended purposes which are formally designated by the governing body of the jurisdiction. The purpose of the assignment is required to be narrower than the purpose of the General Fund, and in funds other than the General Fund assigned fund balance represents the residual amount of fund balance.

Source: The Office of the New York State Comptroller.

Exhibit FB-VIII
COMMUNITY DEVELOPMENT FUND
Composition of Fund Balance – Chart
Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)



Source: The Office of the New York State Comptroller.

Community Development Fund - Budgetary Appropriation of Fund Balance. During the fiscal years December 31, 2016 to 2021, there were no appropriations of fund balance or reserves in the Community Development Fund.

COUNTY ROAD FUND

County Road Fund - Historic Trend of Fund Balance. During the fiscal years December 31, 2015 to 2019, fund balance in the County Road Fund increased from approximately $1.3 million to $3.4 million. Fund balance in the County Road Fund is classified as assigned, meaning the amounts can only be utilized for intended purposes.

Exhibit FB-IX and Exhibit FB-X provide a tabular and visual summary of the composition of fund balance in the County's County Road Fund over the period December 31, 2015 through 2019.

Exhibit FB-IX
County Road Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)

COUNTY ROAD FUND					
Fiscal Year Ending December 31:	**2015**	**2016**	**2017**	**2018**	**2019**
Fund Equity:					
Assigned (1)	$1,300,746	$1,124,658	$2,031,459	$2,824,502	$3,371,969
TOTALS	**$1,300,746**	**$1,124,658**	**$2,031,459**	**$2,824,502**	**$3,371,969**

(1) *Assigned Fund Balance* is comprised of funds that are constrained for only specifically intended purposes which are formally designated by the governing body of the jurisdiction. The purpose of the assignment is required to be narrower than the purpose of the General Fund, and in funds other than the General Fund assigned fund balance represents the residual amount of fund balance.

Source: The Office of the New York State Comptroller.

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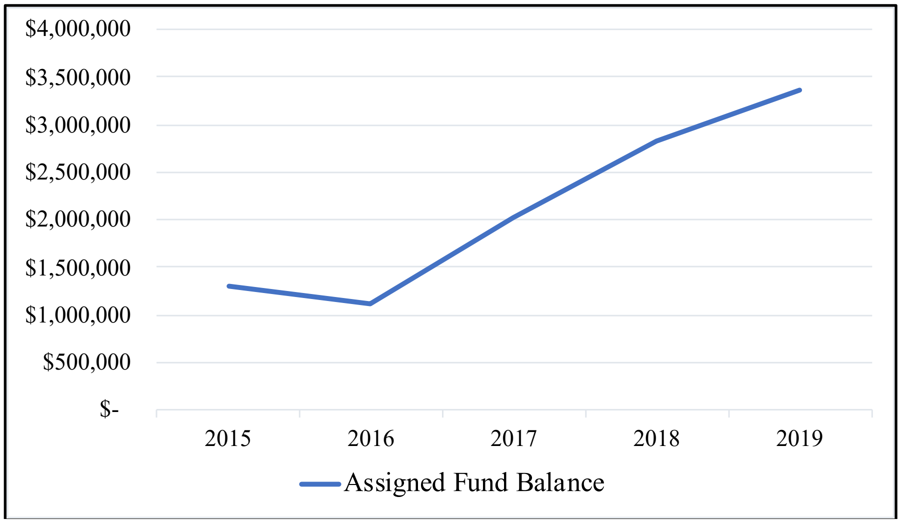
Exhibit FB-X

COUNTY ROAD FUND

Composition of Fund Balance – Chart

Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)



Source: The Office of the New York State Comptroller.

County Road Fund - Budgetary Appropriation of Fund Balance. During the fiscal years December 31, 2016 to 2021, the appropriation of fund balance in the annual budgets for the County Road Fund increased significantly from approximately $0.3 million in 2016 (adopted) to $2.3 million in 2021 (proposed). This represents an increase of 800.0%.

Exhibit FB-XI and Exhibit FB-XII provide a tabular and visual summary of fund balance appropriations in the adopted County Road Fund budgets of the County for the fiscal years 2016 to 2020 and as proposed for the 2021.

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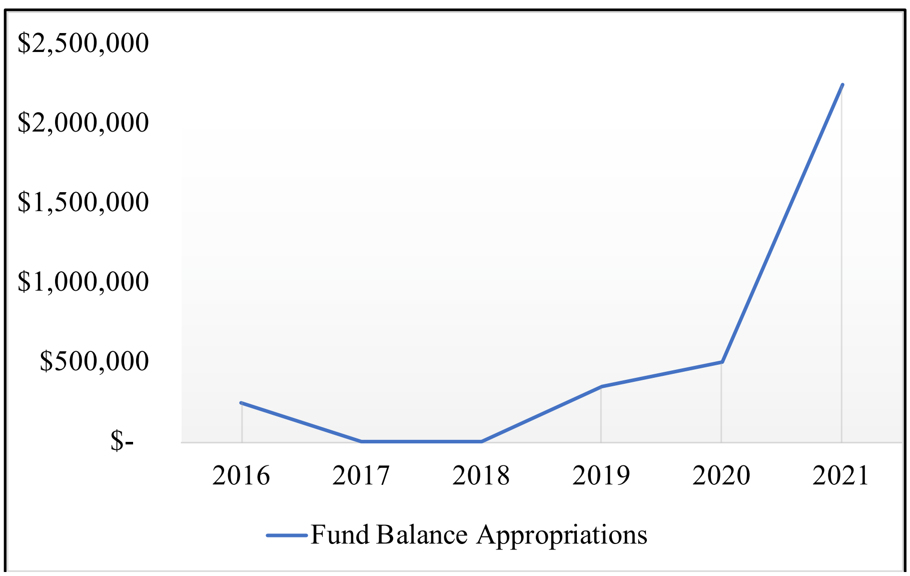
Exhibit FB-XI
Budgetary Appropriation of Fund Balance - Table
<u>Fiscal Years December 31, 2016 to 2021</u>

COUNTY ROAD FUND	
Year Ending December 31:	**Fund Balance Budget Appropriation**
2016 (Adopted)	$ 250,000
2017 (Adopted)	-0-
2018 (Adopted)	-0-
2019 (Adopted)	350,000
2020 (Adopted)	504,864
2021 (Proposed)	2,250,000

Source: The adopted and proposed budgets of the County.

Exhibit FB-XII
COUNTY ROAD FUND
Budgetary Appropriation of Fund Balance - Chart
<u>Fiscal Years December 31, 2016 to 2021</u>



Source: The adopted and proposed budgets of the County.

CMA Finding – County Road Fund Appropriation of Fund Balance. *The 2021 Proposed Budget includes a fund balance appropriation of $2.3 million in the County Road Fund. Over the fiscal years 2016 through 2019, the appropriation of fund balance in this Fund averaged $150,000. For fiscal 2020 (adopted) and 2021(proposed) reserve appropriations increased to $504,864 and $2,250,000, respectively. Thus, over the period 2016 to 2021, the appropriation of the fund balance in the County Road Fund budget increased by approximately 800.0%.*

We caution the County, fund balance appropriations outside the General Fund seems to have increased in recent years.

ROAD MACHINERY FUND

Road Machinery Fund - Historic Trend of Fund Balance. Fund balance in the Road Machinery Fund increased between fiscal 2015 and 2016 but then decreased in each of the fiscal years 2017 through 2019. Fund balance in the Road Machinery Fund is classified as assigned, meaning the amounts can only be utilized for intended purposes. As of December 31, 2019, the fund balance was approximately $3.2 million.

Exhibit FB-XIII and Exhibit FB-XIV provide a tabular and visual summary of the composition of fund balance in the County's Road Machinery Fund over the period December 31, 2015 through 2019.

Exhibit FB-XIII
Road Machinery Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)

ROAD MACHINERY FUND					
Fiscal Year Ending December 31:	**2015**	**2016**	**2017**	**2018**	**2019**
Fund Equity:					
Assigned (1)	$3,642,005	$4,747,888	$4,177,236	$3,509,764	$3,205,538
TOTALS	**$3,642,005**	**$4,747,888**	**$4,177,236**	**$3,509,764**	**$3,205,538**

(1) *Assigned Fund Balance* is comprised of funds that are constrained for only specifically intended purposes which are formally designated by the governing body of the jurisdiction. The purpose of the assignment is required to be narrower than the purpose of the General Fund, and in funds other than the General Fund assigned fund balance represents the residual amount of fund balance.

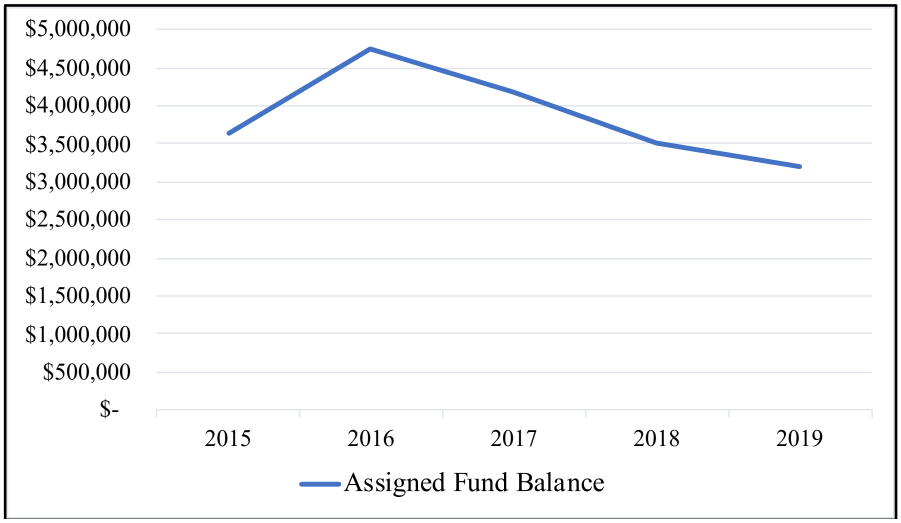
Source: The Office of the New York State Comptroller.

Exhibit FB-XIV

ROAD MACHINERY FUND

Composition of Fund Balance – Chart

Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)



Source: The Office of the New York State Comptroller.

Road Machinery Fund - Budgetary Appropriation of Fund Balance. During the fiscal years December 31, 2017 to 2021, the appropriation of fund balance in the annual budgets for the Road Machinery Fund increased significantly from approximately $1.0 million in 2017 (adopted) to $2.8 million in 2021 (proposed). This represents an increase of 175.0%. No fund balance was appropriated in the 2016 budget.

Exhibit FB-XV and Exhibit FB-XVI provide a tabular and visual summary of fund balance appropriations in the adopted Road Machinery Fund budgets of the County for the fiscal years 2016 to 2020 and as proposed for the 2021.

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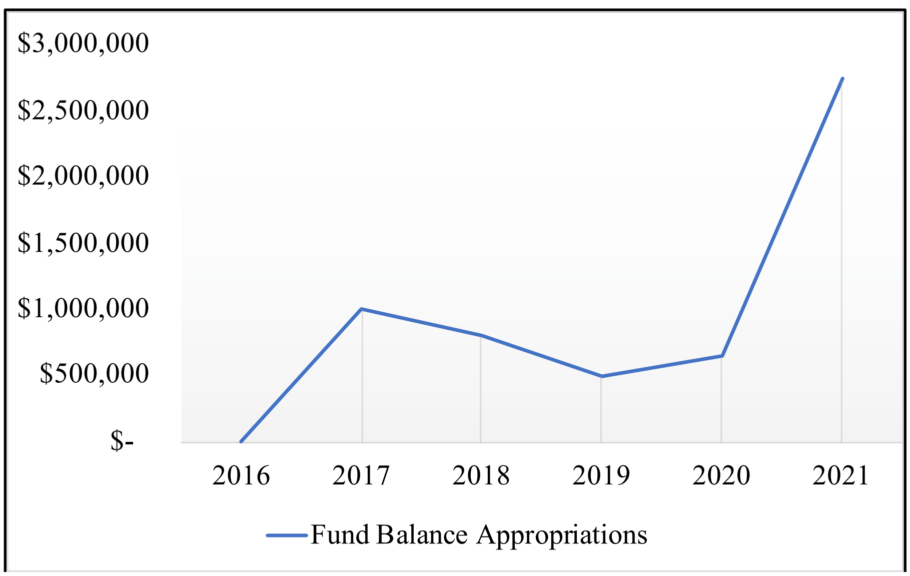
Exhibit FB-XV
Budgetary Appropriation of Fund Balance - Table
Fiscal Years December 31, 2016 to 2021

ROAD MACHINERY FUND	
Year Ending December 31:	**Fund Balance Budget Appropriation**
2016 (Adopted)	$ -0-
2017 (Adopted)	1,000,000
2018 (Adopted)	800,000
2019 (Adopted)	500,000
2020 (Adopted)	650,000
2021 (Proposed)	2,750,000

Source: The adopted and proposed budgets of the County.

Exhibit FB-XVI
ROAD MACHNERY FUND
Budgetary Appropriation of Fund Balance - Chart
Fiscal Years December 31, 2016 to 2021



Source: The adopted and proposed budgets of the County.

CMA Finding –Road Machinery Fund Appropriation of Fund Balance. *The 2021 Proposed Budget includes a fund balance appropriation of $2.8 million in the Road Machinery Fund. The 2016 Adopted Budget did not include an appropriation of fund balance in the Road Machinery Fund. In the Adopted Budgets for 2017 through 2020, the average fund balance appropriation of fund balance was $590,000. Excluding 2016, over the period 2017 to 2021, the appropriation of fund balance in the budgets for the Road Machinery Fund increased by approximately 175.0%.*

As previously stated under the County Road Fund, we caution the County, fund balance appropriations outside the General Fund seems to have increased in recent years.

DEBT SERVICE FUND

Debt Service Fund - Historic Trend of Fund Balance. Fund balance in the Debt Service Fund as of December 31, 2019 was reported as $6.8 million. Fund balance in the Debt Service Fund is restricted, meaning it is subject to enforceable legal restrictions.

Exhibit FB-XVII and Exhibit FB-XVIII provide a tabular and visual summary of the composition of fund balance in the County's Debt Service Fund over the period December 31, 2015 through 2019.

Exhibit FB-XVII
Debt Service Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)

DEBT SERVICE FUND					
Fiscal Year Ending December 31:	**2015**	**2016**	**2017**	**2018**	**2019**
Fund Equity:					
Restricted [(1)]	$4,072,783	$4,573,883	$3,732,708	$6,864,652	$6,801,448
TOTALS	**$4,072,783**	**$4,573,883**	**$3,732,708**	**$6,864,652**	**$6,801,448**

(1) *Restricted Fund Balance* is comprised of monies that are subject to enforceable legal restrictions. These restrictions are generally imposed by creditors, governing laws and/or regulations or through constitutional provisions or enabling legislation.

Source: The Office of the New York State Comptroller.

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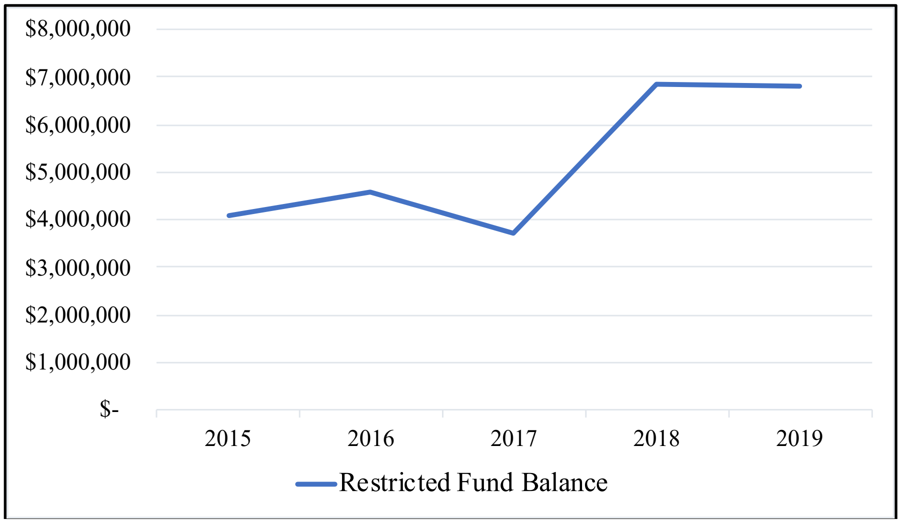
Exhibit FB-XVIII
DEBT SERVICE FUND
Composition of Fund Balance – Chart
Fiscal Years Ended December 31, 2015 to 2019 (Unaudited)



Source: The Office of the New York State Comptroller.

Debt Service Fund - Budgetary Appropriation of Fund Balance. During the fiscal years December 31, 2017 to 2021, the appropriation of fund balance in the annual budgets for the Debt Service Fund increased significantly from approximately $0.3 million in 2016 (adopted) to $1.2 million in 2021 (proposed).

Exhibit FB-XIX and Exhibit FB-XX provide a tabular and visual summary of fund balance appropriations in the adopted Debt Service Fund budgets of the County for the fiscal years 2016 to 2020 and as proposed for the 2021.

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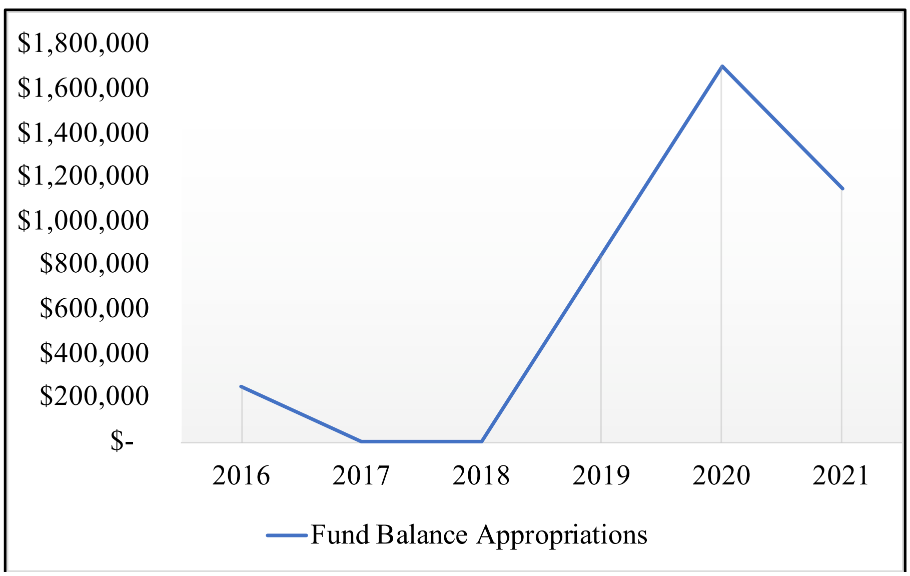
Exhibit FB-XIX
Budgetary Appropriation of Fund Balance - Table
Fiscal Years December 31, 2016 to 2021

DEBT SERVICE FUND	
Year Ending December 31:	**Fund Balance Budget Appropriation**
2016 (Adopted)	$ 250,000
2017 (Adopted)	-0-
2018 (Adopted)	-0-
2019 (Adopted)	850,000
2020 (Adopted)	1,708,901
2021 (Proposed)	1,150,000

Source: The adopted and proposed budgets of the County.

Exhibit FB-XX
DEBT SERVICE FUND
Budgetary Appropriation of Fund Balance - Chart
Fiscal Years December 31, 2016 to 2021



Source: The adopted and proposed budgets of the County.

CMA Finding –Debt Service Fund Appropriation of Fund Balance. *The 2021 Proposed Budget includes a fund balance appropriation of $1.2 million in the Debt Service Fund. Although less than the $1.7 million appropriation in the 2020 budget, the 2020 adopted and 2021 proposed appropriations significantly exceed prior years.*

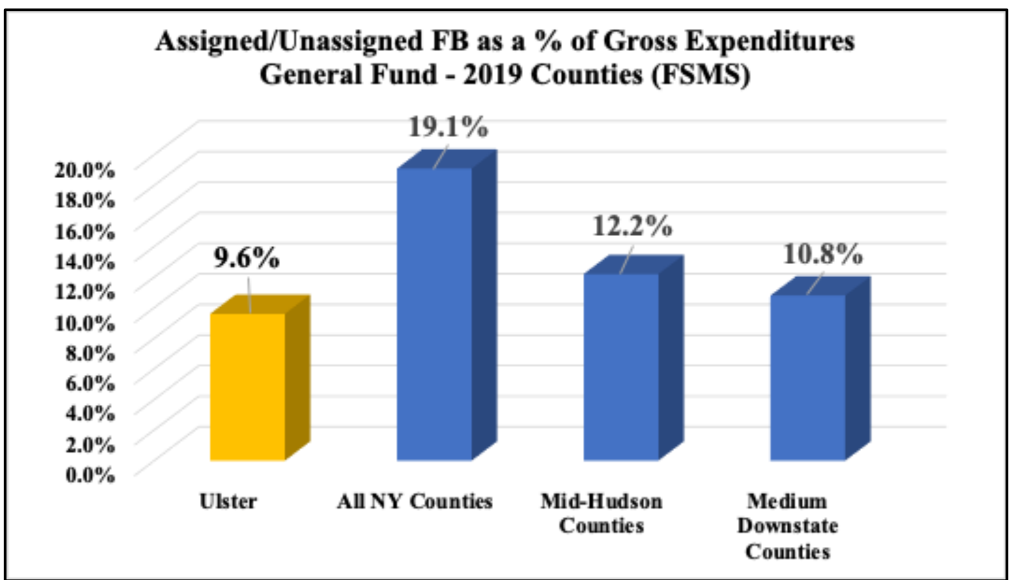
FUND BALANCE PEER (BENCHMARK) COMPARISON

FSMS – Statewide 2019 Findings. The Office of the New York State Comptroller ("OSC") released a set ranking for municipal jurisdictions operating on a calendar year basis in September of 2020. The scores were based on 2019 operating results and marked the fifth release by OSC since the commencement of its Fiscal State Monitoring System ("FSMS") program.

Exhibits FB-XXI through FB-XXII provide an illustration of how the County's fund balance compared to all rated/reporting State Counties, Mid-Hudson Region Counties and Medium Downstate Counties. The data for the tables have been extrapolated directly from OSC's FSMS search tool which can be accessed through the below link:

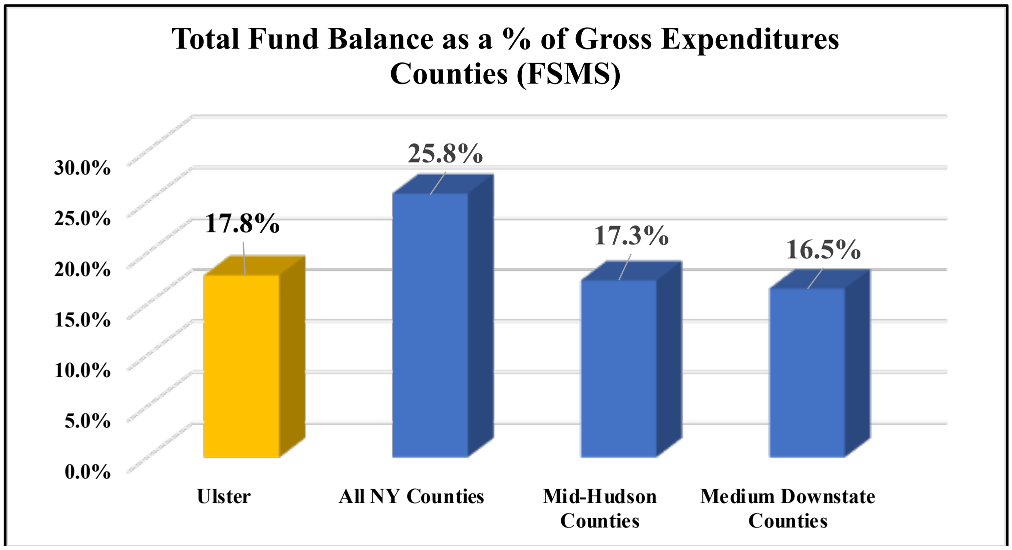
http://wwe1.osc.state.ny.us/localgov/fiscalmonitoring/fsms.cfm

Exhibit FB-XXI
FSMS Benchmarks
Fund Balance Ratios



Source: Extracted directly from the New York Office of the State Comptroller (Fiscal Stress Monitoring System Search Tool).

Exhibit FB-XXII
FSMS Benchmarks
<u>Fund Balance Ratios</u>



Source: Extracted directly from the New York Office of the State Comptroller (Fiscal Stress Monitoring System Search Tool).

CMA Finding – Fund Balance Peer (Benchmark) Comparison. *According to (2019) data obtained through OSC's FSMS, the County's fund balance was comparatively lower than the averages reported for all New York Counties and Mid-Hudson Counties.*

FUND BALANCE AND RESERVES – BEST PRACTICES

Preserving a moderate level of reserves or fund balance is something that all municipal entities should strive for and something that is also closely monitored by the credit rating agencies, OSC and various stakeholders of the County.

Unfortunately, there is no statutory formula in determining what constitutes a moderate level of available reserves. Herein follows a summary of industry accepted "best practices" relating to fund balance and reserves.

New York State. New York State statutes regarding fund balance and reserves merely require that available reserves do not extend beyond a "reasonable amount." Nevertheless, due to a variety of factors, the definition of a "reasonable amount" will undoubtedly vary among municipal entities. Thus, the establishment of fiscal policies, such as a fund balance policy, can assist by clarifying what a jurisdiction deems as appropriate. Maintaining a strict adherence to prudent budgetary practices, which should take reserve levels into account, will also ensure that appropriate reserves are monitored and maintained.

Source: The Office of the State Comptroller.

Government Finance Officers Association. The Government Finance Officers Association ("GFOA") is a professional association which consists of approximately 19,000 municipal jurisdictions across the nation. On its website, the GFOA provides a whole host of best practices relating to the effective management of governmental fiscal operations. Each GFOA best practice must be accepted and approved by its Executive Board prior to inclusion on their website.

According to the GFOA, to Fund Balance Guidelines for the General Fund, it is a recommended best practice for local governments to "establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund for GAAP and budgetary purposes. Such a guideline should be set by the appropriate policy body and articulate a framework and process for how the government would increase or decrease the level of unrestricted fund balance over a specific time period. In particular, governments should provide broad guidance in the policy for how resources will be directed to replenish fund balance should the balance fall below the level prescribed."

Furthermore, the GFOA recommends, at a minimum, that municipal jurisdictions, regardless of size, maintain an unrestricted, budgetary fund balance in their General Fund which consist of no less than two months of typical General Fund operating revenues or the equivalent of the average of two months operating expenditures.

Source: The official website of the Government Finance Officers Association.

CMA Finding – Fund Balance Policy Revisions*. The County's Fund Balance Policy, which was originally adopted in 2013, should be re-evaluated to address the budgetary appropriation of fund balance during challenging economic times, such as the impact of the COVID-19 pandemic. During these times, sound liquidity management tools and fund balance policies become even more critical to ensure long-term success. As a tool, together with strategic, long-term financial planning, these policy adjustments can be utilized to outline what the County determines to be the most strategic method and timing for utilizing and replenishing its reserves.*

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SECTION VI
SUMMARY OF DEBT AND CAPITAL IMPROVEMENT PLAN

DEBT AUTHORITY

Financial Organization - Debt. The New York State Constitution limits the power of the County (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Supervision of the County's outstanding debt obligations is the responsibility of the Commissioner of Finance, who is both the Chief Fiscal Officer and the Chief Accounting Officer. However, the County Legislature authorizes the issuance of any new debt. This is generally completed through the formal adoption of a bond resolution.

Allowable Debt Limit. The County has the power to contract indebtedness for any lawful County purpose so long as the combined principal amount of all debt issued shall not exceed seven per centum of the five year average full valuation of taxable real estate of the County and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining average full valuation is calculated by taking the assessed valuations of taxable real estate for the last five completed assessment rolls and applying thereto the ratio which such assessed valuation bears to the full valuation; full valuation is determined by the New York State Office of Real Property Services or such other State agency or officer as the State Legislature shall direct. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

Exhibit DB-I sets forth the debt-contracting limitation of the County as of September 16, 2020.

County Tax Roll	Taxable Assessed Valuation	Equalization Rate (1)	Full Valuation
2016	$16,452,840,011	91.82%	$17,919,334,296
2017	16,508,781,289	91.64	18,015,386,964
2018	16,660,032,897	91.60	18,187,934,571
2019	16,904,827,451	90.46	18,686,763,165
2020	17,311,004,748	88.88	19,476,128,883
		Total 5-Year Full Valuation	$92,285,547,879
		Average 5-Year Valuation	$18,457,109,576
Debt Contracting Limit (7% of 5-Year Average)			**$ 1,291,997,670**

(1) As determined by the New York State Office of Real Property and Tax Services.

Source: The Municipal Rule Making Board's Electronic Municipal Market Access Website (Official Statement of the County, Dated September 16, 2020).

OUTSTANDING INDEBTEDNESS

Exhibit DB-II sets forth a more detailed summary of the County's outstanding debt obligations, including allowable debt exclusions, as of September 16, 2020.

Exhibit DB-II
Debt Contracting Limit - As of September 16, 2020 (1)

	Amount Outstanding
Gross Indebtedness:	
Serial Bonds	$ 97,328,235
Bond Anticipation Notes	29,430,855
Tax or Revenue Anticipation Notes	-0-
Total Gross Indebtedness:	**$126,759,090**
Excludable Debt:	
Water Debt (2)	$ -0-
Sewer Debt (1)	-0-
Budgetary Appropriations	9,118,235
Total Debt Exclusions	**$ 9,118,235**
Total Net Indebtedness (1)	**$117,640,855**

(1) Excludes lease obligations of approximately $2.6 million.
(2) Excludable pursuant to State law.

Source: The Municipal Rule Making Board's Electronic Municipal Market Access Website (Official Statement of the County, Dated September 16, 2020).

***CMA Finding – Debt Management Policy**. As of September 16, 2020, the County's net indebtedness was approximately $117.6 million. With a debt contracting limitation of $1.3 billion (as of this same date), the County had exhausted approximately 9.11% of its threshold. The amount of net County debt outstanding is considered manageable and not excessive. Nevertheless, County officials indicated the County lack a formalized debt management policy. Sound debt and transparent debt management practices will be critical to ensuring the long-term financial success of the County. The development and adoption of debt management policy is recommended.*

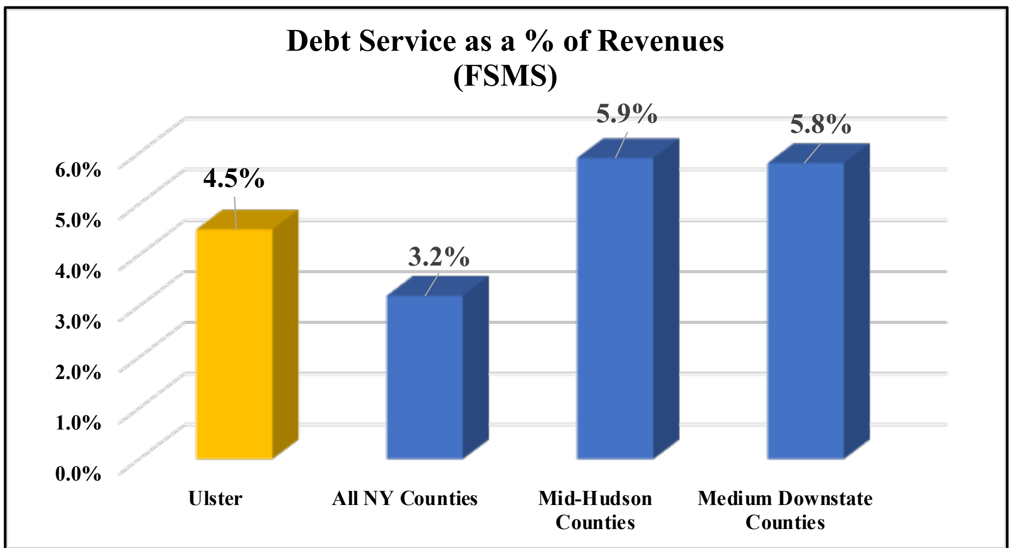
INDEBTEDNESS PEER (BENCHMARK) COMPARISON

FSMS – Statewide 2019 Findings. The Office of the New York State Comptroller ("OSC") released a set ranking for municipal jurisdictions operating on a calendar year basis in September of 2020. The scores were based on 2019 operating results and marked the fifth release by OSC since the commencement of its Fiscal State Monitoring System ("FSMS") program.

Below is an illustration of how the County's debt levels compared to all rated/reporting State Counties, Mid-Hudson Region Counties and Medium Downstate Counties. The data for the tables have been extrapolated directly from OSC's FSMS search tool which can be accessed through the below link:

http://wwe1.osc.state.ny.us/localgov/fiscalmonitoring/fsms.cfm

FSMS Benchmarks
Debt Service Ratio



Source: Extracted directly from the New York Office of the State Comptroller (Fiscal Stress Monitoring System Search Tool).

The County had higher levels of debt service as compared to all New York counties, but comparatively lower amount compared to Mid-Hudson counties and medium Downstate counties.

CASH FLOW FINANCINGS

Cash flow financings are a type of borrowing in which a loan made to bridge a forecasted financial gap due to the timing of real property tax and/or other revenue (including Federal and State aid) receipts. The most common types of cash flow financings for municipal governments similar to the County are tax anticipation notes and revenue anticipation notes.

Since cash flow financings *can be* (but are not always) indicative of structural deficiencies, they sometimes carry with then negative associations.

***CMA Finding – Cash Flow Financings**. The County has not found it necessary to issue debt obligations for cash flow purposes since 1998. Despite not issuing for such purposes, County officials have indicated the County annually adopts resolutions authorizing the issuance of tax anticipation notes and revenue anticipation notes in the event of an emergency. For 2020 the amounts authorized tax anticipation notes and revenue anticipation notes were $20.0 million and $15.0 million, respectively. The County presently anticipates that resolutions for similar amounts will be presented to the Legislature for consideration in connection with the 2021 fiscal year. In addition, County officials also indicated they will continue to closely monitor the cash positions in light of the COVID-19 pandemic. Not having to issue cash flow notes is deemed a credit positive event.*

BOND ANTICIPATION NOTES

As of September 16, 2020, the County had $29,430,855 in outstanding bond anticipation notes.

***CMA Finding – Bond Anticipation Notes Maturing in November / September Refunding Bonds**. The 2021 Proposed Budget indicated the outstanding bond anticipation notes of the County are scheduled to mature in November of 2020. A portion of the notes will be converted into long-term serial bonds will the remining portion will be renewed. The tentative sale date for the issuance is November 5, 2020 with tentative closings scheduled for November 18, 2020. Although, the 2021 Proposed Budget includes breakdowns of outstanding bonds and notes, it does not appear to include the effects of bonds that were refunded in September of 2020 or estimates for the notes and bonds that are expected to be issued in November. Since the November issuance will be sold prior to the adoption of the budget, the Legislature should confirm with the Commissioner of Finance that the debt service appropriations have been revised to reflect payments correlating to the issuance of debt in September and November of 2020.*

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FUTURE LONG-TERM BONDED DEBT SERVICE PAYMENTS

In September of 2020 the County issued approximately $1.7 million in refunding bonds to refinance serial bonds originally issued in 2013. According to County officials, the refunding generated a *total* of $133,869 in budgetary savings spread across the fiscal years 2020-2028.

Exhibit DB-III provides a summary of the County's currently outstanding long-term bonded debt service payments. The amounts include the effects of the recently issued September 2020 bond refunding but do not include estimates for bonded debt that may be issued during 2021.

Exhibit DB-III
Schedule of Bonded Debt Service Payments (1)

Fiscal Year	Bonded Debt Service *(Principal + Interest)* (2)
2020	$ 12,369,647.44
2021	12,399,793.74
2022	12,000,343.74
2023	11,503,881.24
2024	11,267,568.74
2025	8,907,581.24
2026	8,673,993.74
2027	8,555,718.74
2028	7,946,706.25
2029	6,380,012.50
2030	3,120,368.75
2031	3,121,906.25
2032	2,185,731.25
2033	2,188,768.75
2034	1,595,275.00
2035	1,594,275.00
2036	1,592,400.00
2037	1,597,762.50
TOTAL	**$117,001,734.88**

(1) Excludes lease obligations.
(2) Includes the effect of refunding bonds issued in September of 2020.

Source: The Municipal Rule Making Board's Electronic Municipal Market Access Website (Official Statement of the County, Dated September 16, 2020).

AUTHORIZED BUT UNISSUED DEBT

The proposed budget of the County includes authorized but unissued debt in the amount of approximately $85.9 million. Many of these authorizations correlate to projects that have yet to be closed out by the County or will not be borrowed for. As such, although a large amount, several of these authorizations will likely not be utilized by the County.

CAPITAL IMPROVEMENT PROGRAM/BUDGET

Administrative Process. In accordance with the provisions of the County Charter and applicable State law, it is the responsibility of the County Executive to prepare and file the annual Capital Improvement Program for consideration by the Legislature. This process is completed as part of the budget process.

CMA Finding – 2021 Proposed Capital Improvement Program*. The intent of the annual budget message is to summarize and explain the main features of the County's budget, including the Capital Improvement Process. Pursuant to the County Charter, the budget message should "outline the existing and any proposed financial policies of the County relating to the capital program, including a description of each capital improvement proposed to be undertaken in the preceding fiscal year and not yet completed." Although a separate the Proposed 2021 Capital Improvement Program has been filed along with the Proposed Budget, the Proposed Budget message should include summaries of the Capital Improvement Program.*

Capital Improvement Program Summary. The County's Proposed Capital Improvement Program for the fiscal years 2021 through 2026 totals $203.7 million, of which $38.9 million is for general governmental purposes, $42.0 million is for educational purposes, $0.9 million is for home and community services purposes, $10.0 million is for public safety purposes, $92.3 million is for transportation purposes and $19.6 million is for recreational, economic development and planning purposes.

A summary of the County's Proposed Capital Improvement Program for the years 2021 through 2026 is presented in Exhibit DB-IV on the following page.

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Exhibit DB-IV

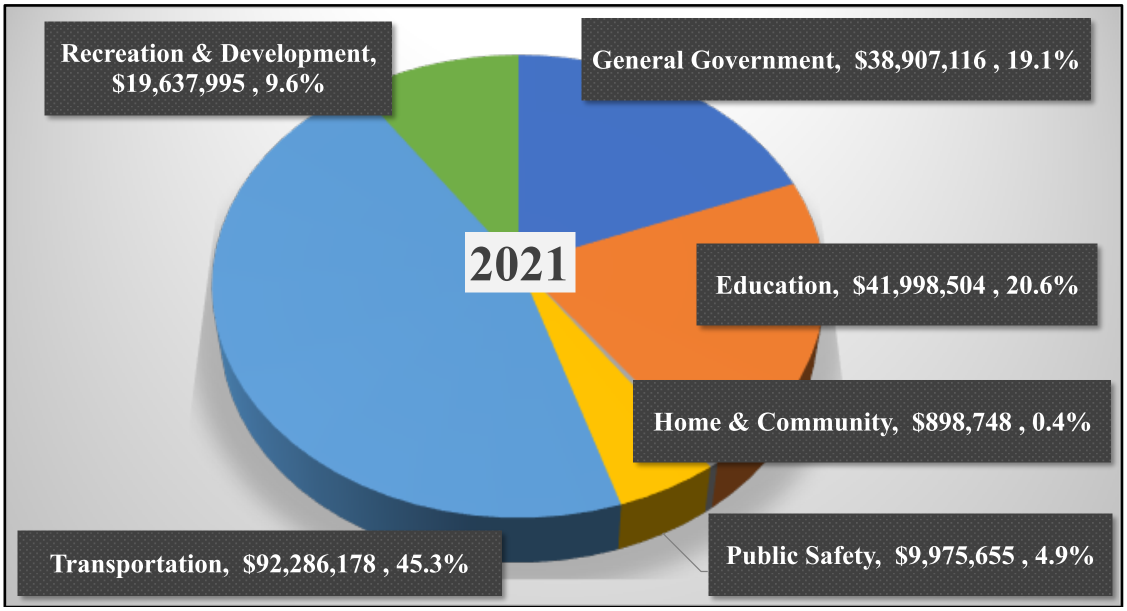
Proposed Capital Improvement Plan - 2021 Through 2026

PROJECT CATEGORY	PRIOR	2021	2022	2023	2024	2025	2026	AFTER 2026	TOTALS
General Government - Equipment	$ -	$ 2,617,724	$ 292,000	$ 214,000				$ -	$ 3,123,724
General Government - Facilities	1,009,255	7,962,260	13,012,748	7,948,129	5,251,000	300,000	300,000	-	35,783,392
Education - Equipment	957,932	-	1,150,000	993,323	450,000	300,000	300,000	-	4,151,255
Education - Facilities	14,275,704	5,599,465	9,172,080	5,900,000	1,450,000	950,000	500,000	-	37,847,249
Home & Community - Equipment	-	-	-	-	-	-	-	-	-
Home & Community - Facilities	-	336,748	562,000	-	-	-	-		898,748
Public Safety - Equipment	1,174,278	2,445,127	5,085,000	847,500	423,750			-	9,975,655
Public Safety - Facilities	-	-	-	-	-	-	-	-	-
Transportation - Equipment	590,000	6,585,480	4,283,831	3,466,904	2,275,504	2,175,504	3,940,504	-	23,317,727
Transportation - Infrastructure	2,691,500	25,302,059	13,835,250	7,175,763	8,122,241	2,447,628	2,319,010	7,075,000	68,968,451
Recreation & Development - Studies	-	1,250,000	1,690,000	1,750,000	1,150,000	1,150,000	1,150,000	-	8,140,000
Recreation & Development - Infrastructure	1,041,282	5,689,400	2,072,813	1,026,500	575,000	513,000	580,000	-	11,497,995
								TOTALS	$ 203,704,196

Source: The Proposed Capital Improvement Plan (2021-2026) of the County.

A summary of the County's Proposed Capital Improvement Program by purpose for the years 2021 through 2026 is presented in Exhibit DB-V.

Exhibit DB-V
2021 Proposed Capital Improvement Program – 2021 Through 2026
Summary of Spending Estimates by Purpose



Source: The adopted and proposed Capital Improvement Programs of the County.

***CMA Finding – 2021 Proposed Capital Improvement Program Sources of Funding**. Although the summaries included in the front portion of the 2021 Proposed Capital Improvement Plan where found to be informative, they lacked clear descriptions of funding sources. Clear summaries of funding sources appeared to be included in the County's Adopted Capital Improvement Programs prior to 2017. Although included in the details, the summary tables of the 2021 Capital Improvement Plan should include funding sources which will enhance transparency and is recommended.*

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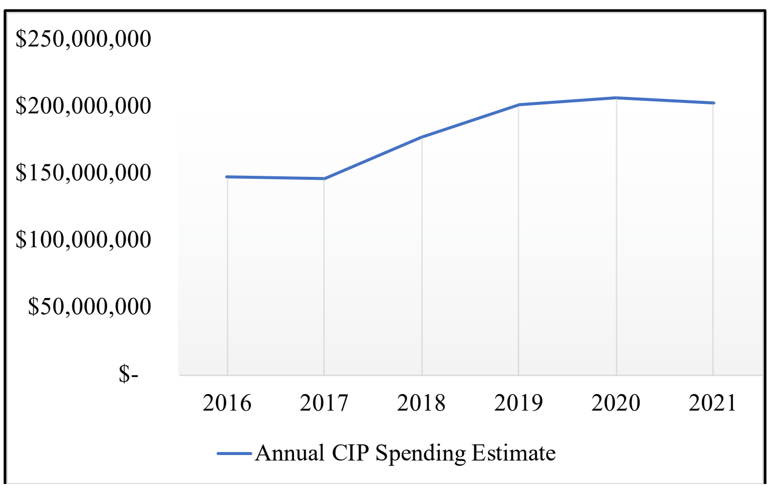
Historic Trend of Annual Capital Programs. Exhibit DB-V and Exhibit DB-VI provide a tabular and visual summary the County's Adopted Capital Improvement Programs for each of the (budget) years 2016 through 2020 and the 2021 Proposed Capital Improvement Program.

Exhibit DB-V
Historic Trend of Annual Capital Programs - Table
Budget Years 2016 to 2021

Year Ending December 31:	TOTAL Estimated Spending
2016 (Adopted)	$147,771,664
2017 (Adopted)	147,063,900
2018 (Adopted)	178,192,638
2019 (Adopted)	202,078,311
2020 (Adopted)	207,752,281
2021 (Proposed)	203,704,196

Source: The adopted and proposed Capital Improvement Programs of the County.

Exhibit DB-VI
Historic Trend of Annual Capital Programs - Chart
Budget Years 2016 to 2021



Source: The adopted and proposed Capital Improvement Programs of the County.

CMA Finding – Historic Trend of Estimated Capital Improvement Program Spending. *Since the 2019 budget year, spending estimates in the Capital Improvement Program have been relatively stable. By comparison to the 2016 Adopted Capital Improvement Program, the 2021 Proposed Capital Improvement Program shows an increase of approximately 37.9%.*

CREDIT RATING CONSIDERATIONS

The COVID-19 outbreak in the first quarter of 2020 has had a jarring impact on the national economy. The economic contraction in the second quarter of the year resulted in a 9.5% decline in gross domestic product. At the County level, leaders across New York have had to make difficult decisions with respect to cuts to services, personnel and hiring freezes. These challenging scenarios are necessary as counties scramble to adjust their budgets to account for reduced sales tax receipts and increased unemployment claims and unbudgeted for expenses related to the pandemic. The uncertainty related to the breadth and acuity of the pandemic makes it especially difficult to safeguard against financial coronavirus related pressures. The National Association of Counties estimate the impact to Counties across the country includes $11.4 billion in lost revenue and $30 billion in additional expenditures.

The economic impact of COVID-19 related shutdowns in New York State cannot be overstated. Governor Andrew Cuomo declared a public health emergency for New York State due to the coronavirus on March 7, 2020. Subsequently, the governor's executive order, effective from March 20 through May 28, directed all residents of the State to stay at home unless engaged in essential services or activities. The state began a gradual phasing out of stay-at-home restrictions on May 29 after the governor revised the state's guidance to allow for a phased re-opening of several regions in New York, including the Mid-Hudson region, in which Ulster County is located.

Analysis conducted by the New York State Association of Counties on taxable sales during the March- April- May sales tax quarter indicates a year over year decrease in taxable sales of $27.3 billion or 28% for New York Counties, at the peak of the economic contraction, sales tax revenues in Ulster County declined by over 20%. Through the period of March, April, May 2020, the County experienced a year over year decline of 15.3% which is in line with neighboring counties of Putnam, Dutchess and Putnam and better than Orange, Rockland and Westchester counties to the south.

Revenue at Risk. Major County revenue streams are currently at risk and are expected to remain at risk over the medium term as the pandemic lingers. To further complicate matters, Counties are limited in their ability to raise additional funds since many key revenues are either sensitive to fluctuations in the economy or controlled by external governments.

Rating Agency Perspectives. As the severity and length of economic downturn related to the pandemic have become more pronounced, the rating agencies (Moody's, S&P and Fitch) have all revised their outlooks on the U.S. local government sector to negative from stable. The rating agencies believe that local governments will face financial challenges into 2021 and the horizon for full economic recovery is unknown. While unemployment rates have begun to normalize since peaking in April 2020, it is unknown whether consumer behaviors related to shopping and dining in particular will linger or have perhaps been permanently changed. The rating agencies all agree that budgeting will be critical to preserving the financial health of local governments and that those entities most willing to adjust spending to match revenue declines will be best positioned to weather the pandemic. The rating agencies expect that the municipal sector will grapple with the aftermath of the COVID-19 crisis for at least the next 3 years and reduced liquidity and greater leverage will require years of post-coronavirus balance sheet repair.

Unemployment Rates

Year	County	State
2015	**4.8%**	5.3%
2016	**4.4**	4.9
2017	**4.5**	4.7
2018	**3.9**	4.1
2019	**3.8**	4.0
2020 Monthly		
Jan	**4.2**	4.1
Feb	**4.1**	3.9
Mar	**4.1**	4.2
Apr	**14.9**	15.1
May	**10.8**	14.2
Jun	**11.2**	15.6
Jul	**12.4**	16.0

Source: The New York State Department of Labor, Bureau of Labor Statistics. Such information has not been seasonally adjusted.

Ulster County is rated "AA" by S&P, the rating was most recently affirmed in July, 2020. In the report, S&P indicated that the "AA" rating was the result of strong financial management, budgetary performance, budgetary flexibility and liquidity. The County was also cited for its economic growth.

Safeguarding the County's "AA" rating. Preserving the County's "AA" general obligation rating benefits taxpayers in the form of reduced borrowing costs an ability to readily access the capital markets. The uncertain nature of the COVID-19 pandemic and its impact on the economy pose unforeseen risks to County finances which are a vital component of its "AA" rating. More than ever, County management will need to focus on financial management and prioritize sound liquidity management in order to offset continued revenue declines. Cost containment in the form of service reductions and staff downsizing may be necessary in the event of financial strain.

The County's formal fund balance policy states that the County will to maintain between 5- 10% of unrestricted fund balance at all times, in the event a draw on balances is necessary, the County should replenish in the amount necessary to meet the minimum 5% fund balance in the succeeding year. While a formal fund balance policy is credit positive, the County might consider improving transparency and reporting unrestricted balances, reserves (such as the Tax Stabilization Fund) and rainy day funds on a quarterly basis. To the extent possible, at this early stage of the Coronavirus economic downturn, the use of fund balances and reserves should be avoided until there is an industry view as to the potential duration of the pandemic.

SECTION VII
EFFICIENCY STRATEGIES

This section focuses on efficiency strategies that will help to mitigate potential setbacks resulting from the economic impact of the COVID-19 pandemic. The long-term impact of the pandemic remains unclear as of the date of this Review. A particular emphasis is placed on Shared Services and Information Technology.

SHARED SERVICES

The forthcoming economic recession may be extremely detrimental to the County's fiscal health. With several primary revenue sources, such as sales tax, being extremely susceptible to fluctuations in the economic environment, it comes as no surprise that the County will likely suffer revenue losses. To mitigate losses, many jurisdictions have explored ways to eliminate duplicative services through the use of shared service agreements. In fact, New York State has been proactive in offering support for such investigations.

Internal Opportunities – Shared Services. Although the County should certainly explore shared service opportunities with other local governments, the results of our Review shows that there may be internal opportunities to reduce redundancies and reduce costs. Of these opportunities, the development of a clerical pool may prove to be the most significant. Such a pool would assist the Departments in meeting peak workload requirements, reduce overtime and enhance revenue generation.

A major impediment to cost effective delivery of governmental services is the inability of government to reassign staff between departments to meet changing needs. This problem consists of two primary components. Foremost, employees often work in narrowly defined job titles that preclude them from performing outside tasks. Secondly, employees are limited to work in a specific department or unit. It is very difficult to transfer them between departments to meet changing workload or programmatic requirements.

***CMA Finding – Development of a Clerical Pool**. CMA believes that there could be material (but as of yet indeterminate) cost savings if the County created an employee pool with generic titles that could be transferred between departments. As an example, for several years, Suffolk County has utilized a small but effective clerical pool through its Civil Service Department. On occasion, Suffolk will utilize specialty staff, such as grant writers, across various departments.*

External Opportunities – Shared Services. There are numerous State laws authorizing collaboration between jurisdictions. In fact, General Municipal Law Article 5-G provides wide-ranging authority for entities to investigate such activities. The types of joint projects that have been investigated are well documented by the state through its Local Government Services Division. The Division includes case studies of previous projects, information on applicable state funding to offset costs and various other resources. In addition to the Local Government Services

Division, the Office of the State Comptroller and the New York State Attorney General's Office can provide technical and legal assistance as it relates to the investigation of shared services. Given the complex collective bargaining agreements and unique tax laws surrounding the County, the County should take advantage of State resources when considering functions for shared services.

CMA Finding – Exploration of External Shared Service Opportunities*. The following list provides governmental functions that are commonly considered for shared service opportunities amongst local governments, which we believe could reasonably be further investigated by the County. The timing constraints of the Review do not allow for the development of a full savings analysis relating to each of the above functions. Although CMA believes the list provides a baseline for areas to be studied, additional analysis to quantify the level of savings would be required.*

Administrative Functions

- *Accounting Functions (Staff, Payroll Processing, Software)*
- *Administrative Services (Clerical Support, Data Entry, Janitorial Services)*
- *Investment Of Funds*
- *Records Management*
- *Research And Analysis*
- *Training And Education*
- *Utility Services*

Human Capital Management

- *Health Insurance*
- *Human Resources/Personnel (Employee Benefits Management)*
- *Professional Services (Engineering, Architectural, Legal Services)*

General Operations

- *Equipment Sharing*
- *Facilities Maintenance (Buildings, Grounds)*
- *Fuel Facilities – Cooperative Fuel Agreements*
- *Storage Facilities (Vehicle, Salt, Etc.)*

IT Functions

- *IT Administration And Training Through The County*
- *IT Security Management*
- *County Developed IT Applications*

Infrastructure

- *Parks Locations*
- *Park Maintenance*
- *Physical Building Sharing (Municipal Buildings)*

Public Safety Services

- *Emergency Management And Dispatch*

- *Fire Marshal Inspections And Town Building Inspections*
- *Jail Facilities, Including The Juvenile Detention Center*
- *Various Police Services*
- *Crossing Guards (If Not Defunded)*

Constituent Services

- *Senior Programs*
- *Youth Programs*

Miscellaneous Services

- *Museums (If Not Privatized)*
- *Tourism*
- *Various Roadways*

Source: New York State Division of Local Government and School Accountability.

INFORMATION TECHNOLOGY

Base on focused interviews, the Information Technology ("IT") Department of the County was found to be well qualified and capable of developing and implementing in-house applications which would likely have a significant impact on efficiency. Despite the capabilities of the IT Department, many County departments are slow to implement technologies. However, since improvements are not current expenditures, but rather efficiencies that could yield prompt cost reductions, they are discussed separately in the form of efficiency cost savings strategies to counterbalance the effects staff reductions.

According to Gartner, Inc., a research and advisory firm specializing in IT services, projects optimizing technologies can effectively reduce certain costs by up to 50%. Furthermore, Forrester, Inc., another IT research and advisory firm, suggests that technology can be utilized to automate redundant workflow tasks. Automation is projected to reduce the time spent on those tasks by upwards of 60%, with an additional 20% reduction in the time taken to manage and support those tasks. These potential efficiencies are considered significant to the County for 2 reasons. Foremost, considering the recommended cost reductions and hiring freeze, the County will need to find ways to do more with fewer resources and staff. By automating certain functions, it is reasonable to assume the workforce will be better able to focus its efforts, mitigating the effects of decreased staffing levels. Secondly, improved efficiency levels will likely impact, perhaps significantly, the usage of overtime.

Unlike many other local governments, the County's IT Department possesses the skill to develop in-house applications. Alone, this will result in significant cost avoidance with respect to software purchases. However, this also would bode well for shared service considerations. Associated development and implementation costs for shared projects may benefit if spread across multiple jurisdictions. The County is well situated to lead such an initiative.

CMA Finding – Exploration of Information Technology Opportunities*. The Department of Information Technology was found to be skilled, knowledgeable and experienced during the focused interviews. The County should work closely with the Department in order to identify manual operations which may be automated. By focusing on the implementation of technology, the operational workflow of the County can be greatly influenced, and costs can be further lowered. Unlike many other local governments, the County's IT Department possesses the skill to assist in this capacity.*

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SECTION VII
CONCLUSION

The information provided throughout the Review is based on a detailed analysis of the County's 2021 Proposed Budget. Although the Budget provides useful budgetary and operational information for public understanding, CMA requested meetings with key departments County to gain a better understanding of operations. Additional information was requested and promptly provided by County Officials. We appreciate and commend the cooperation of the County Executive's Staff and the staff members of the Legislature in providing both detailed budget data as well as assistance to understand the construction of the budget documents.

The findings and initiatives identified in the Review will assist the County to develop sustainable financial operations. In addition, the shared services, efficiencies and technology strategies discussed throughout the Review will mitigate the effect of staffing reductions.

Focused and coordinated implementation of the findings will ensure the County captures the opportunities detailed in this Review. For implementation efforts to be successful, the following factors will be necessary:

- *Dedication to Achieving Results*. The efforts need to be driven by quantifiable goals relating to cost savings, revenue generation, the efficient delivery of service and performance metrics.
- *Fiscal Transparency and Accountability.* The departments should be held accountable for progress and results.
- *Ability to Adapt*. The County must be able to adapt accordingly in order to identify and circumvent potential obstacle.
- *Objectivity and Stakeholder Engagement*. Proactive participation and communication amongst all relevant parties is key to success.
- *Sustained Support*. A steadfast commitment that the implementation of findings cannot be derailed.

Despite the fiscal challenges that may be ahead as result of the COVID-19 pandemic, the initiation of the Review alone denotes that steps are being taken toward to strategically plan for fiscal health of the County. Success will be largely contingent upon a coordinated effort and collaboration between various interested parties. Nevertheless, a sustainable budget in the near-term can be an achievable goal and the County may continue the process of becoming truly the best it can be during 2021.

APPENDIX A:
DEPARTMENTAL SUMMARIES

DEPARTMENT SUMMARIES – PREAMBLE

In conducting its review of the 2021 Proposed Budget, CMA independently interviewed specific departments within the County in order to better understand their respective operations. As result of the stringent timeframe, not all County departments were able to be interviewed. This section provides a summary of the departments that were interviewed.

COUNTY ATTORNEY

DEPARTMENT MISSION

The County Attorney is the sole legal advisor to the County. The County Attorney either directs or actively participates in legal-related activities on behalf of all departments and divisions of the County. The primary areas of responsibility of the County Attorney include Claims/Litigation, Opinions and Legal Research, Contracts, Agreements, Leases, Juvenile Prosecution in Family Court, and Labor Matters.

The 2021 Ulster County Executive Budget proposes $1,564,633 in total appropriations for the County Attorney's Office. The County is responsible for all proposed expenses for this department.

Source: The 2021 Proposed Budget of the County.

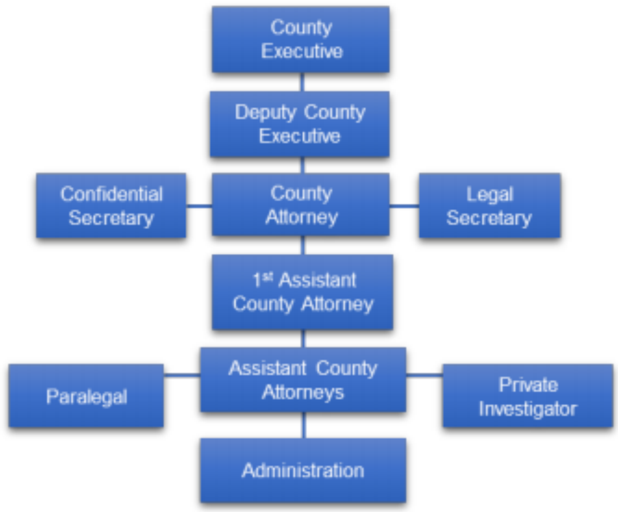
DEPARTMENT DIVISIONS

The County Attorney's Office is led by the County Attorney, appointed by the County Executive. The County Attorney serves at the pleasure of the County Executive.

ORGANIZATIONAL STRUCTURE AND WORKFORCE

The Department is comprised of a staff of fifteen. The Department prosecutes all cases against and brought forth by the County. The Department does not contract any outside counsel, the County is insured by New York Municipal Insurance Reciprocal ("NYMIR"), in certain cases, NYMIR may select a counsel to represent the County.

County Attorney
Organizational Structure



Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on focused a departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Office of the County Attorney.

- *Dedicated workforce with low turnover*. The Department's core strength is its dedicated staff. Many members of the staff have been with the County for 10+ years. The COVID-19 pandemic has kept the office extremely busy due to increase cases related to emergency orders and contract negotiations.

- *Financial line of defense for the County*. While the Office of the County Attorney does not generate any revenue, its vigilant staff is constantly guarding against issues that could present a liability to the County.

WEAKNESSES AND THREATS

There were no material weaknesses or operational threats identified by CMA during the focused interviews with the County Attorney.

County Clerk

Department Mission

It is the mission of the County Clerk's Office to maintain, docket and preserve the integrity of the records of Ulster County and to be responsive to the needs of its residents by developing increased awareness of services offered by our office. The department's mission will be accomplished through utilization of technology, expanding our present programs and evaluating new and innovative ways of offering these services.

Source: The 2021 Proposed Budget of the County.

Department Divisions

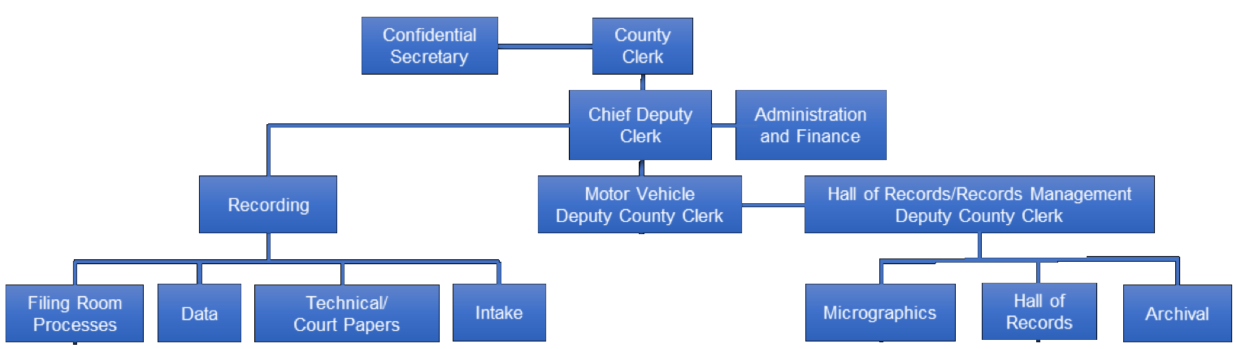
The duties of the County Clerk as "keeper of the records" requires the filing, processing and preserving of County documents including the responsibility of Clerk of the Court for the Supreme and County Courts. In addition, as an agent for the NYS Department of Taxation and Finance our office collects mortgage tax, sales tax and transfer tax. On a federal level, we process passports for the US Department of State and conduct Naturalization Ceremonies for the US Department of Homeland Security. The County Clerk is the Records Manager for the County overseeing the Ulster County Hall of Records, the County Archives and the Matthews Persen House. In the capacity as agent for the New York State Department of Motor Vehicles, the Clerk's Office offers full-service Motor Vehicle processing as well as mobile services throughout the towns in Ulster County.

Organizational Structure and Workforce

The workforce of the County Clerk is comprised of a staff of 62 full-time and part-time employees, including vacant positions.

Organizational Chart

Clerk Organizational Structure



Source: The 2021 Proposed Budget of the County.

Clerk Finances

General Expenditures. The operations of the County Clerk are classified as governmental activities and are financed primarily through from the General Fund. Expenses for the department are almost completely for personnel and benefits.

OC Revenues. The County Clerk produces departmental revenues through the issuance of various licenses and permits, including through the County's Department of Motor Vehicles. Approximately $27 million are collected annually, however much of this is passed through to local jurisdictions, with approximately $2.9 million remaining with the County.

Clerk Strengths and Opportunities

Based on various departmental interviews and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the County Clerk office.

- *Digitizing Records*. The department is in the process of digitizing all County records and archives, which would improve efficiency, allowing documents to be accessed and shared more easily.
- *Management.* The County Clerk appears to be well organized and well managed.
- *Persen House Revenue.* The County Clerk oversees the operations of the Persen House museum. Currently, there are no fees charged for entrance, representing a potential opportunity for additional revenue.

Clerk Weaknesses and Threats

Based on focused departmental interviews and a comprehensive review of available documents, below is a summary of key weaknesses and threats noted within the County Clerk.

- *Inability to change fees.* All fees for the department are set by statute by the State. This restricts the department from amending any fee schedules to appropriately match the County's needs.

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County Comptroller

Department Mission

The mission of the Office of the County Comptroller is to serve as Ulster County's trusted watchdog and advisor and to work in partnership with the County Legislature, County Executive, and the community to facilitate transparency and accountability without compromising independence, objectivity or integrity.

Source: The 2021 Proposed Budget of the County.

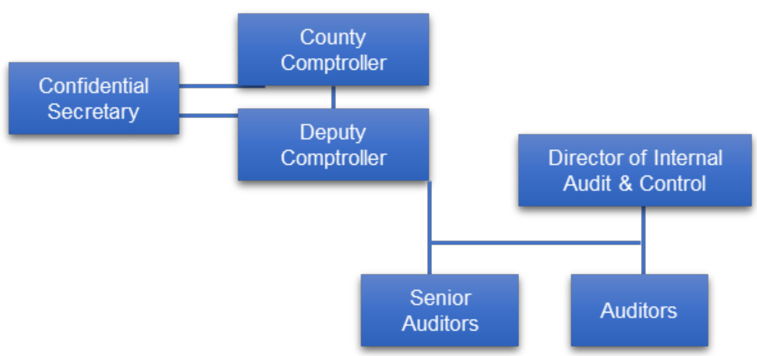
Department Functions

The function of the County Comptroller's Office is to independently verify expenditures, track revenues, monitor the stewardship of funds of the County, evaluate internal controls and County program performance, and provide advice on the financial and economic health of the county.

Organizational Structure

The workforce of the Comptroller's Office consists of 7 full-time employees. Despite limited staff, the responsibilities carried out by the Office are both complex and directly connected to the County's fiscal health.

Organizational Structure of Comptroller's Office



Source: The 2021 Proposed Budget of the County.

Comptroller Strengths and Opportunities

Based on focused a departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within DC.

- *Management.* The Comptroller's Office is well organized and supervised.

- *Staff Ability*. The staff of the Comptroller's Office is knowledgeable and experienced, improving the auditing capabilities of the department. The findings of the department have routinely led to improvements in the County. The recent audit of the jail capacity and staffing resulted in expected savings in the County Sheriff's Office in excess of $1 million in the coming years.

COMPTROLLER WEAKNESSES AND THREATS

Based on focused departmental interviews and a comprehensive review of available documents, below is a summary of key weaknesses and threats noted within the Comptroller's Office.

- *Relationship with County Executive.* In the past, the relationship between the Comptroller's Office and the administration has been strained. As a result, reports and audits conducted by the Office have not always been implemented.

- *Staffing Levels.* While the Comptroller's Office has adequate staffing for its day-to-day operations, additional employees would allow the Office to direct more attention to internal audits of the County's operations, identifying potential efficiencies and improvements.

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DEPARTMENT OF ECONOMIC DEVELOPMENT

DEPARTMENT MISSION

The Department of Economic Development works together with partners in government, industry and communities to co-create a people-centered economy. To pursue this vision, the Department will invest in ways that create equitable gains in opportunity and prosperity for all residents.

Source: The 2021 Proposed Budget of the County.

DEPARTMENT FUNCTIONS

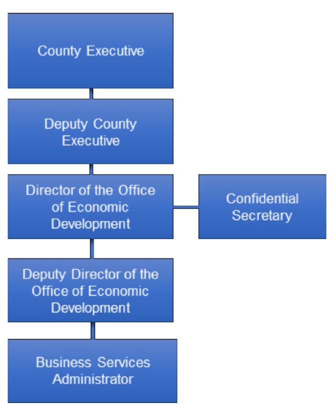
The Department of Economic Development performs the following key functions:

- Retains and supports existing local businesses, especially those impacted by COVID-19 and disadvantaged businesses;
- Encourages expansion of our target industry clusters, including Ag & Food, Makers & Creators, Healthcare & Wellness, and the Green Economy;
- Invests in and cultivates social and economic infrastructure, such as housing, education/training, childcare and transportation; and
- Develops strategic partnerships that expand our capacity to pursue our vision.

ORGANIZATIONAL STRUCTURE

The workforce of the Department is extremely minimal with only 4 full-time staff. Nevertheless, despite the Department's small workforce, it is well run, strategic in their decision making and, if properly delegated, could be play an integral role in determining the future fiscal health of the County.

Organizational Structure



Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on a focused departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Department.

- *COVID-19 Response*. The Department was integrally involved in the County's local response to COVID-19, aiding local businesses to receive funding and loans, either through the U.S. Small Business Administration's Paycheck Protection Program, through which over $30 million was disbursed, or loans directly from the County. The Department prioritized women- and minority-owned businesses, which have been disproportionately impacted by the pandemic.

- *Financial Assistance and Business Retention and Expansion.* The Department focuses the majority of its efforts to providing assistance to local small businesses with a revolving loan fund; the staff assists with the application process and the Department of Finance aids with underwriting.

- *Inter-Department Cooperation.* The Department works closely with several others in the County, specifically, the Planning Department, which, until recently, included the operations of the Department.

WEAKNESSES AND THREATS

Based on focused departmental interviews and a comprehensive review of available documents, below is a summary of key weaknesses and threats noted within EDP.

- *Dated Economic Plan.* The most recent economic plan of the Department was completed in 2007. The Department has had discussions regarding an update and may begin work in the near-term, however, this should be made a priority, especially given the uncertain future for small businesses in the County.

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Department of Environment

Department Mission

The Department of Environment leads Ulster County Government and supports Ulster County municipal efforts to protect natural resources and address climate change in order to steward our critical natural assets which are valuable to our residents, visitors, and future generations.

Source: The 2021 Proposed Budget of the County.

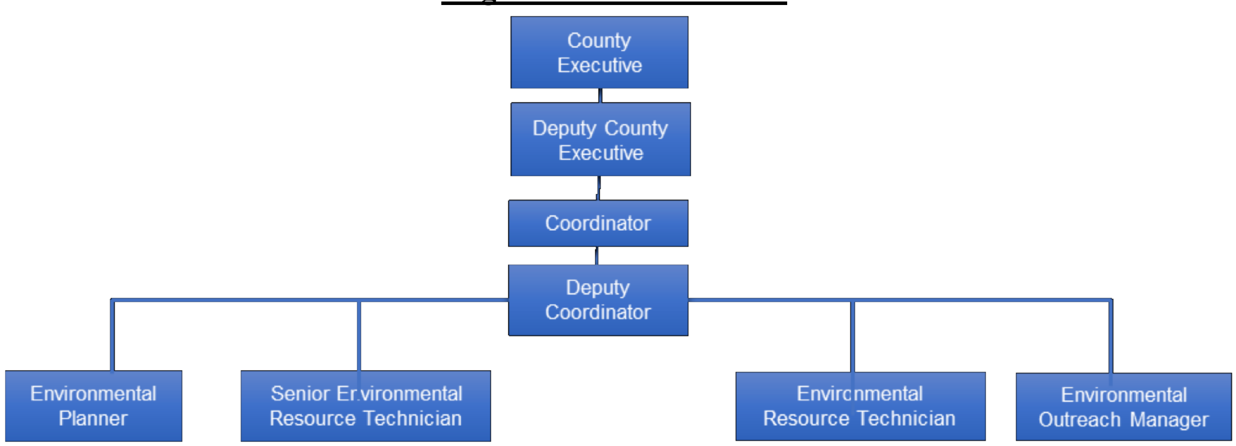
Department Function

The DOE coordinates environmental policy and resource planning within County government. The Department utilizes a unique pooled-resources model to draw on other departments to bring the right expertise to bear on different issues. Key areas of involvement include natural resource planning, natural resource inventory data management and creation, stormwater regulation compliance, support of County energy efficiency and green building infrastructure initiatives, and involvement in watershed planning issues.

Organizational Structure

The workforce of the Department is minimal with only 5 full-time staff. Nevertheless, despite the Department's small workforce, it is well run and strategic in their decision making.

Organizational Structure



Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on a focused departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Department.

- *Climate Action Plan*. The Department has demonstrated a proactive nature, having prepared a comprehensive climate action plan in 2019, focusing on reducing energy dollars and the carbon footprint of the County.

- *Renewable Energy Initiatives.* Due to the efforts of the Department, the County relies solely on renewable energy sources for its needs, including locally sourced solar projects and a power purchase agreement with the Ulster County Resource Recovery Agency, which generates 20% of the County's electricity.

  In addition, the Department has devoted its efforts to various other renewable energy projects, including preparing the County's infrastructure for electrical charging of passenger vehicles and buses, retrofitting LED lights throughout County buildings and continuing to invest in green vehicles for the County's fleet.

WEAKNESS AND THREATS

There were no material weaknesses of threats noted by CMA during its focused interview.

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DEPARTMENT OF FINANCE

DEPARTMENT MISSION

The mission of te Department of Finance is to instill the public's trust and ensure the financial integrity of the County.

Source: The 2021 Proposed Budget of the County.

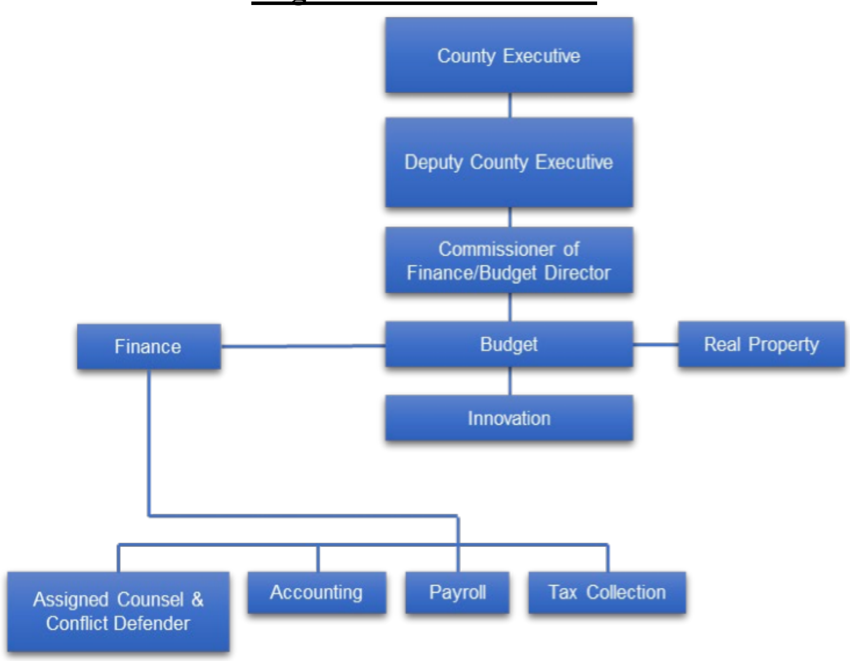
DEPARTMENT FUNCTIONS

The Department of Finance's role is to ensure the efficient and accurate accounting of all financial affairs of the County, including but not limited to annual financial reporting, debt management, payroll processing, tax collection, preparation of the County Executive's Budget in collaboration with the County Executive and other County departments, improving the operational and financial efficiencies of all County departments, and supporting the functions and missions of the Real Property Tax Service Agency and the divisions of Innovation and Budget.

ORGANIZATIONAL STRUCTURE

The workforce of the Department consists of 36 employees, with a reduction to 32 expected for FY2021. The responsibilities carried out by the Department are numerous and directly connected to the County's fiscal health.

Organizational Structure



Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on focused a departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Department.

- *Conservative Budgeting*. For the 2021 Proposed Budget, the Department, along with the County Executive, requested all County departments to reduce requested expenditures by 10%, across the board, in anticipation of reduced revenue due to COVID-19. The proactive step could prove decisive in how the County is able to operate during the uncertainty of the coming year. In addition, the Department routinely budgets sale tax revenue conservatively.

- *Increase Occupancy Tax.* According to the Department, the County's current hotel occupancy tax of 2% is low compared by nearby municipalities. Increasing the tax to a rate in-line with other jurisdictions would increase revenue to the County. Likewise, being able to properly identify Airbnb rentals would increase receipts, however this requires improved cooperation by the company and is outside the County's control.

- *Capital Borrowings.* The Department annually issues bonds and/or notes for the County's capital projects. Notes are issued until final costs are determined to avoid any over-issuance of debt. The Department also annually adopts a cash flow resolution for the issuance of a tax or revenue anticipation note, however the County has not had to do so in some time.

WEAKNESSES AND THREATS

Based on focused departmental interviews and a comprehensive review of available documents, below is a summary of key weaknesses and threats noted within the Department.

- *Stagnation of Real Property Tax Rates.* While not solely done at the discretion of the Department, the County has not raised its property tax rates in almost ten years. This is a credit negative and can severely hamper the finances of the County by significantly reducing its potential recurring revenue.

- *Lack of Contingency for Potential State Aid Reductions.* As the lead of the County's budget process, the Department did not significantly reduce the amount of State Aid anticipated for FY2021 even though the State has mentioned the potential for up to 20% reductions in certain types of aid received by the County. In addition, the Department has not prepared a contingency plan for potential expenditure reductions should the County's state aid be reduced.

- *Physical Payroll Checks.* The Department continues to print and issue physical payroll checks or stubs to employees. Requiring direct deposit or moving to electronic stubs would generate savings for the County. Similarly, the County also cuts checks for certain vendor payments. Migrating this to an electronic or pay card form would also reduce expenses.

Department of Health and Mental Health

Department Mission

The Department of Health and Mental Health offers a wide range of services and programs to County residents designed to prevent illness and ensure their physical, psychological, and emotional well-being. The Department regulates and monitors community health, educating the public about health issues and concerns, and working with a broad spectrum of community partners to provide health and mental health programs and services that directly benefit the people of Ulster County. The Department does not provide any clinical services.

The 2021 Ulster County Executive Budget proposes $13,741,556 in total appropriations for the Department of Mental Health. Total revenues for the Department of Mental Health are proposed at $8,902,550 leaving the County responsible for $4,839,006 of this department's proposed expenses. The 2021 Ulster County Executive Budget proposes $7,971,451 in total appropriations for the Department of Health. Total revenues for the Department of Health are proposed at $4,917,353 leaving the County responsible for $3,054,098 of this department's proposed expenses.

Source: The 2021 Proposed Budget of the County.

Organizational Structure and Workforce

The Department is led by the Commissioner of Health and Mental Health, appointed by the County Executive.

The Department is comprised of a two separate departments merged eight years ago, each department continues to stand as a separate line in the budget. The departments are led by 1 commissioner. The Department is staffed by approximately 80 people, this number is greatly reduced from approximately 200 who worked for the departments at years back

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Organizational Structure

Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on focused a departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Department of Health and Mental Health.

- *Staff has been critical to helping the County weather the COVID-19 pandemic*. During the early stages of the pandemic, the Department was at the forefront of contact racing, isolation and quarantine efforts.

- *Migration of new residents to Ulster County from New York City will increase permit volume.* The Department is prepared to deal with increase in review of septic permit applications.

WEAKNESSES AND THREATS

- *Exposure to reductions in State Aid.* The Department of Health and Mental Health's proposed budget relies upon $10,832,528 in State Aid that may be subject to a 20% reduction at any time during the budget review process or in the implementation of the 2021 budget. This is particularly challenging as health mandates related to the COVID-19 pandemic continue to increase workload for the Department. Responsibility for any COVID-19 vaccination programs will fall with the Department.

Information Services

Department Mission

The mission of the Ulster County Information Services ("UCIS" or "IT") is to provide enterprise IT leadership, technical solutions and customer support in order to improve efficiency and effectiveness of government operations and facilitate secure access to government information and services.

Source: The 2021 Proposed Budget of the County.

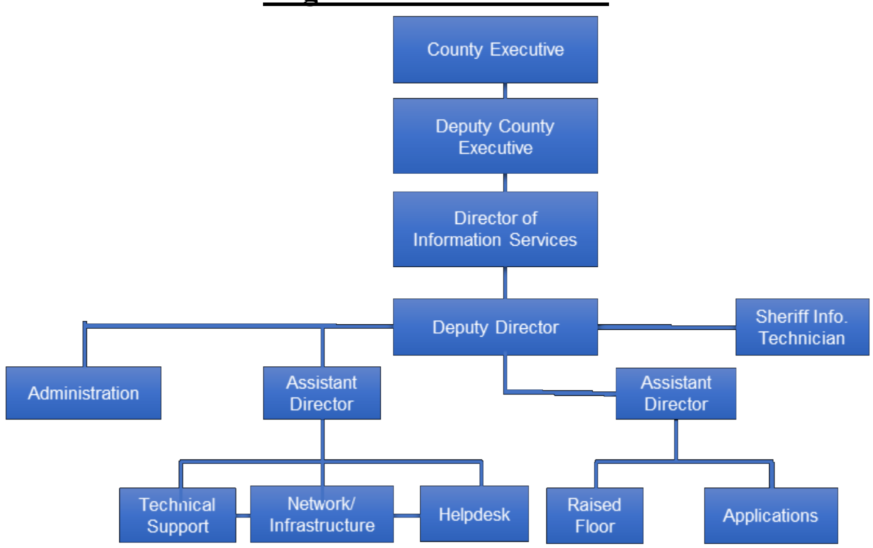
Department Divisions

The UCIS provides technical guidance, expertise and support in procuring, managing and securing the County's Information Technology and telecommunications infrastructure. The Department's staff of 27 full-time employees provide top-tier customer service to the County's over 1300 employees, across 54 departments located at 40 different sites supporting thousands of IT assets throughout Ulster County. UCIS serves the broader community by extending support for the County's Enterprise Public Safety System to local police, fire, and EMS; generating village, school and general tax bills; and providing access to Geographic Information Systems (GIS) and Real Property information to outside entities.

Organizational Structure

The workforce of the IT Department 25 employees, with an expected reduction to 20 in the near-term due to the County's retirement incentive.

Organizational Structure



Source: The 2021 Proposed Budget of the County.

UCIS Strengths and Opportunities

Based on focused a departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within IT.

- *COVID-19 Response*. The staff of the Department was integrally involved with the County responding to the pandemic in order to allow the necessary County employees to work remotely. On a related note, the Department estimates printing and paper use has decrease ~30% due to employees working remotely.

- *Automation of Processes.* The Department is currently working towards increasing the automation of various County functions, which would improve the efficiency of certain departments.

- *Proactive Equipment Upgrades*. The Department continuously assesses the needs of the various County departments to determine the areas most in need of updated equipment, including computers, laptops, printers, etc. Equipment is typically recycled every five years to ensure nothing is outdated

UCIS Weaknesses and Threats

Based on focused departmental interviews and a comprehensive review of available documents, below is a summary of key weaknesses and threats noted within IT.

- *Manual Signatures.* According to the Department, a number of County functions still require manual signatures from certain departments heads and others, impairing the workflow.

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<u>DEPARTMENT OF INSURANCE</u>

DEPARTMENT MISSION

The Insurance Department processes all phases of insurance, except health and unemployment. The Department also administers the County's Self Insurance Plan and County Disability Plan. The Department reviews all County contracts for proper insurance, and purchases and maintains insurance policies including general liability, auto liability, law enforcement liability, employer liability, property damage, auto physical damage, crime, Inland Marine, and medical malpractice.

The 2021 Ulster County Executive Budget proposes $14,525,113 in total appropriations for the Insurance Department. The Department anticipates generating $9,846,958 of revenue, leaving the County responsible for $4,678,155 of this department's proposed expenses.

Source: The 2021 Proposed Budget of the County.

ORGANIZATIONAL STRUCTURE AND WORKFORCE

The Department of Insurance is led by the County Insurance Officer, appointed by the County Executive. The County Insurance Officers serves at the pleasure of the County Executive.

The Department is comprised of a staff of four. The department contracts the handling of its workers' compensation claims to NCA Comp, Inc., the third-party claims administrator for New York State workers' compensation and disability claims.

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Insurance Department
<u>Organizational Structure</u>

Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on focused a departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Insurance Department.

- *Seasoned staff with extensive knowledge of County operations*. The Department's staff has enjoyed a long tenure with the County, ¾ of the staff have been with the County for 20+ years. There is concern with respect to expected retirements which are discussed in "Weaknesses and Threats," below.

- *Technology.* The Department reports that current technology is adequate. Systems were "shock tested" in March due the Coronavirus pandemic and ability to access electronic documents and work remotely.

WEAKNESSES AND THREATS

- *Employee Turnover.* The Department's staff benefits from the experience of employees with long tenures but needs to prepare for retirements over the near future. Appointment of a Deputy Insurance Officer should be priority.

- *Department could benefit form the addition of a staff accountant.* Due to the volume of insurance claims, a staff accountant could be helpful for the Department.

DEPARTMENT OF PERSONNEL

DEPARTMENT MISSION

The Department of Personnel administers Civil Service and Personnel functions for the County, Government, Towns, Villages School Districts, and special districts within Ulster County (excluding the City of Kingston). The department also oversees Employee Benefits, Unemployment Insurance and Employee Relations, including Labor Management, for the County Government and manages its collective bargaining agreements.

The 2021 Ulster County Executive Budget proposes $7,200,169 in total appropriations for the Personnel Department. Net of the $1,214,000 generated by the department, the County is responsible for $5,986,169 of the department's expenses.

Source: The 2021 Proposed Budget of the County.

DEPARTMENT DIVISIONS

The Department is led by one Personnel Officer and has four divisions dedicated to operational functions. These include

- Employee Relations,
- Personnel Analyst,
- Employee Benefits Administrator, and
- Personnel Development Coordinator.

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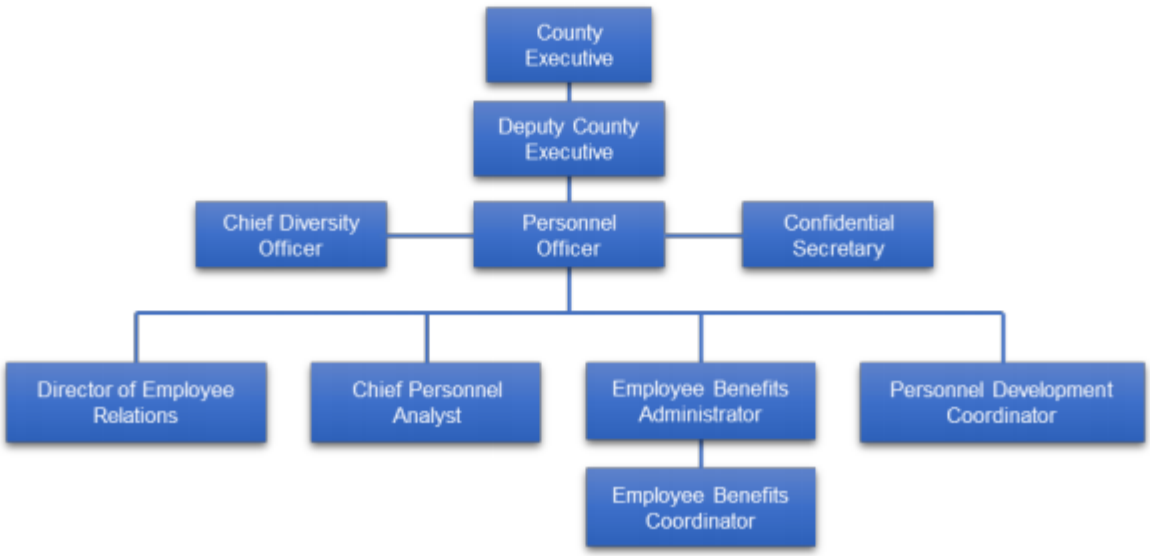
ORGANIZATIONAL STRUCTURE AND WORKFORCE

Personnel Department
<u>Organizational Structure</u>



Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on focused a departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Department of Personnel.

- *Seasoned staff with extensive knowledge of County operations*. The Department reports many long-term employees, some employees have been with the County for as long as 30+ years. There is concern with respect to expected retirements which are discussed in "Weaknesses and Threats," below.

- *Succession Planning*. The Department is expecting retirement related employee turnover over the coming five years. Succession plans are in place, to the extent possible, the Department plans to promote from within.

- *Technology*. The Department reports that current technology is adequate but that it is reviewing shifting from current software in 2022 when the County expects to rollout technology upgrades and integrations in other areas.

WEAKNESSES AND THREATS

- *Employee Turnover.* The Department is preparing for a wave of retirements in the coming years. The longevity of staff is a core strength of the Department, succession plans will help ensure that new staff is sufficiently trained.

- *COVID-19 Impact.* The COVID-19 pandemic has increased workload with respect to collective bargaining and a backlog of civil service examinations to be administered. The department expects spring 2021 to be very busy with the administration of civil service exams which were cancelled due to COVID-19. Unemployment claims have spiked, and the County has exceeded its unemployment budget. The department is actively protesting claims believed to be made in error. The department's diligence in monitoring and protesting claims may help minimize false claims and result in savings for the County.

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Department of Planning

Department Mission

Provide strategic guidance relating to land use, transportation, housing, agriculture, capital improvements and the environment in order to promote equitable and sustainable growth and development.

Source: The 2021 Proposed Budget of the County.

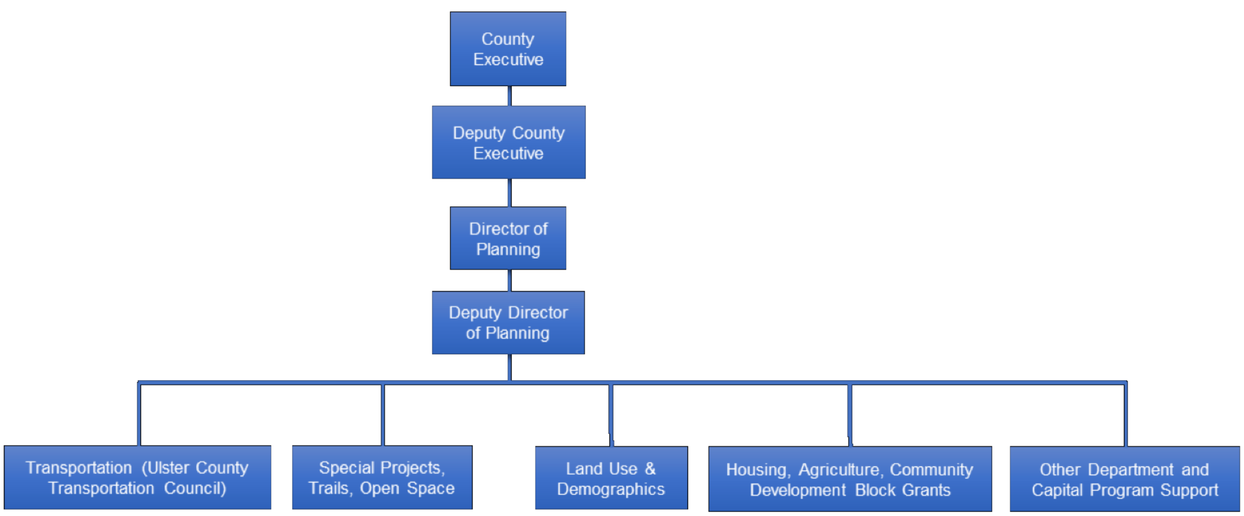
Department Divisions

The Planning Department administers the Planning Board, made up of representatives from 24 towns and cities, who take a non-partisan approach to work for the benefit and welfare of Ulster County. The Planning Department also administers the Transportation Council, Agricultural Districts, and special projects, including the development of the County's growing rail trail system.

Organizational Structure

The workforce of the Department is minimal with 7 full-time staff.

Organizational Structure



Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on a focused departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Department.

- *Broadband Initiative*. The Department is working with Spectrum as well as the County's Department of Public Works to expand the wireless broadband network within the County. This would significantly benefit the rural areas of the County that are typically underserved with regards to high-speed internet options as well as school districts with increased needs for remote learning capabilities due to COVID-19.

- *Use of Grant and State Funding.* The Department has been able to fund a significant portion of its budget through grant and local funding, including Community Development Block Grant funding, which is applied for on an annual basis.

- *Community Development Program.* The Department has been working on a community development program to respond to community needs in the interest of the County, which would expand the capital program for a wider range of funding and increase infrastructure investments.

WEAKNESSES AND THREATS

Based on focused departmental interviews and a comprehensive review of available documents, below is a summary of key weaknesses and threats noted within the Department.

- *Separation of Economic Development Office.* Until recently, the Office of Economic Development was part of the Planning Department. The County should assess whether the intended purpose for the separation has been achieved, such as increased productivity of one or both involved departments. In addition, the County should determine if overall costs have increased as a result of potentially redundant administrative or management positions.

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Department of Public Works

Department Mission

To serve as an operational arm of County government in the construction, maintenance, and management of County infrastructure and facilities to ensure their safe, economical, and efficient utilization by County personnel and the public.

Source: The 2021 Proposed Budget of the County.

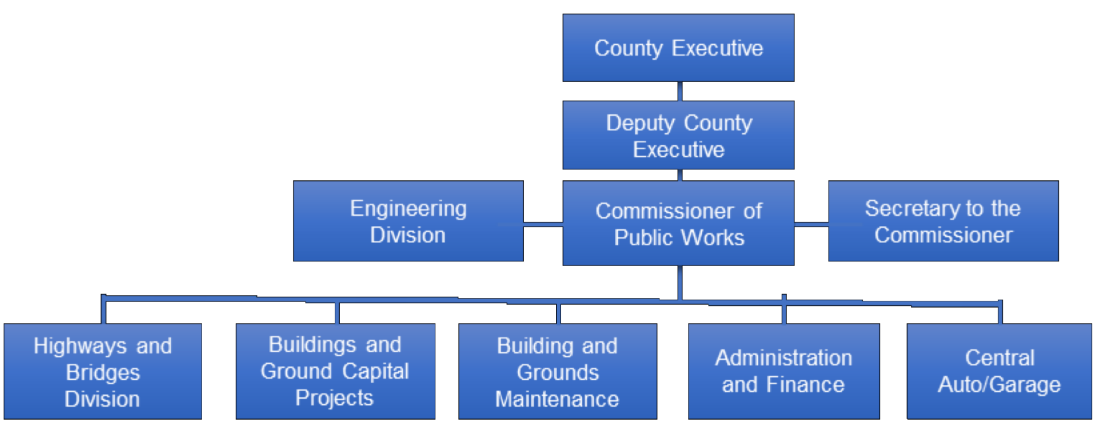
Department Divisions

The Department of Public Works has several divisions dedicated to operational functions. These include Administrative, Highways & Bridges, Buildings & Grounds, Central Auto, and Engineering. Through these Divisions, DPW maintains 423 highway miles, 158 bridges, 54 miles of recreational trails, 44 buildings with a total of 884,000 sq. ft., a park and a pool complex with an occupancy rating of 950 people. DPW also manages county capital contracts and projects.

Organizational Structure

Due to the multiple disciplines overseen by the Commissioner of Public Works, the Commissioner is assisted by key staff members in each of the DPW's divisions/subdivisions. Tasks are delegated to the divisions/subdivisions through the DPW's administrative division and are based on areas of expertise.

Organizational Structure



Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on a focused departmental interview and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Department.

- *Succession Planning*. The Department has routinely prioritized preparation for retiring staff. By promoting from within more often, the Department is able to retain institutional knowledge of experienced employees and seamlessly transition.

- *Efficient Workflow.* The Department has shown the ability to stay within budget and timeframes with regards to capital projects for the County. There is capacity to do much of the work in-house, helping to keep costs reasonable. In addition, for 2021, the County increased the threshold to contract out for services to $750k from $250k.

WEAKNESSES AND THREATS

Based on focused departmental interviews and a comprehensive review of available documents, below is a summary of key weaknesses and threats noted within the Department.

- *Take Home Vehicles.* The Department is responsible for over 400 vehicles in the County's fleet. Some of these include vehicles which employees are able to take home for various County tasks. However, the passenger vehicles do not currently have GPS tracking for officials to monitor. While the Department does not believe there is abuse of this privilege, it should be assessed by the County to ensure that is the case and tracking should be applied to all vehicles.

- *Reduction in CHIPS Funding.* As with other State Aid during the COVID-19 pandemic, the County's CHIPS allocation is at risk of up to a 20% reduction, which could severely hamper the Department's ability to maintain all highway functions.

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PURCHASING

DEPARTMENT MISSION

To support County Government and its residents through the ethical, lawful and professional acquisition of goods and services in order to provide best value to Ulster County taxpayers and improve the procurement experience for internal customers and vendors.

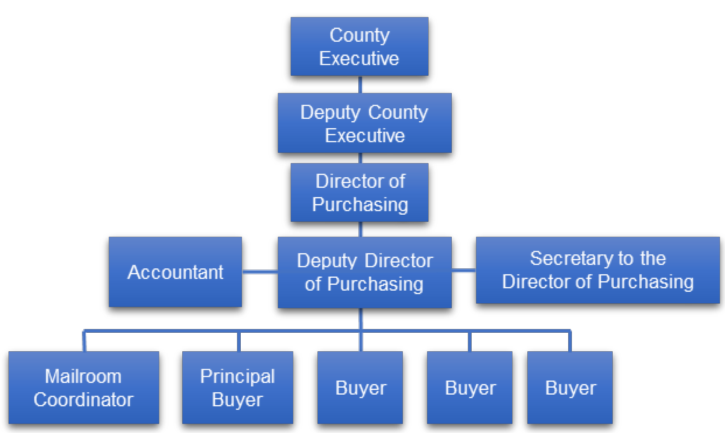
Source: The 2021 Proposed Budget of the County.

DEPARTMENT DIVISIONS

The Purchasing Department seeks to maximize the benefits that County citizens receive from the expenditure of public funds on goods and services in a professional, ethical, and lawful manner, through a program dedicated to transparency, impartiality, accountability, and excellent customer service. Purchasing manages all aspects of the procurement process, including the identification and development of sources, assistance to departments in the creation of specifications, and the solicitation of bids, quotes, and requests for proposals. The Department also includes the Mailroom, which is tasked with delivering all interoffice, outgoing, and incoming mail for all County Departments. Purchasing is responsible for initiating and maintaining effective and professional relationships with Vendors and County Departments, and to serve as the exclusive channel through which all requests for County purchases and price quotations are handled. Central to the responsibility is the administration of County Purchasing Policies and Procedures as stewardship to County taxpayers.

ORGANIZATIONAL STRUCTURE

Organizational Structure



Source: The 2021 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

Based on focused departmental interviews and a comprehensive review of available documents, below is a summary of key strengths and opportunities noted within the Department.

- *Centralized Purchasing*. The Department serves as the centralized purchasing hub for the County, streamlining the process in lieu of each County department handling its own purchases.

- *Shared Services with SUNY Ulster.* In FY2021, the Department will begin working with SUNY Ulster to handle their procurement needs and will receive a flat fee for doing so. However, there is the potential for a reduction of costs by sharing expenses with the college and improving economies of scale for the County's purchases. The Department is also seeking other local partners to continue to improve upon this.

- *Efficient Process.* The Department is typically able to fulfill a requisition in the same day, a testament to the Department's ability and significantly quicker than other municipalities CMA has assessed.

WEAKNESSES AND THREATS

Based on focused departmental interviews and a comprehensive review of available documents, below is a summary of key weaknesses and threats noted within the Department.

- *Use of Credit Cards.* There are 44 credits cards distributed among department heads and other officials in the County. This has the potential to lend itself to fraud and an evaluation should be conducted to determine if the number of credit cards in use can be reduced.

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SHERIFF

MISSION

It is the mission of the Sheriff's Office (the "Office") to serve the public by enhancing our partnership with the community, and in so doing, protect life and property, prevent crime, solve problems and foster good will through courtesy and professionalism.

The Office shall maintain a correctional facility with the highest degree of security to ensure the safety of the citizens, staff and inmates.

Source: The 2021 Proposed Budget of the County.

DIVISIONS AND SPECIAL UNITS

The Office is a full-service law enforcement agency which requires mandatory 24 hour a day staffing. Including its Administration, the Sheriff consists of five (5) primary divisions. Additional services are provided to County residents and visitors through various subdivisions and special units.

- *Administration*
  - The Administration oversees all the operations of the Sheriff's Office.

- *Criminal Division*
  - The Criminal Division provides daily law enforcement services throughout the County.

- *Corrections Division*
  - The Corrections Division assumes responsibility for the custody, planning, care and transportation of inmates confined in the County's jail system.

- *Civil Division*
  - The Civil Division's purpose is to serve and implement a variety of legal processes for non-criminal courts and the legal community.

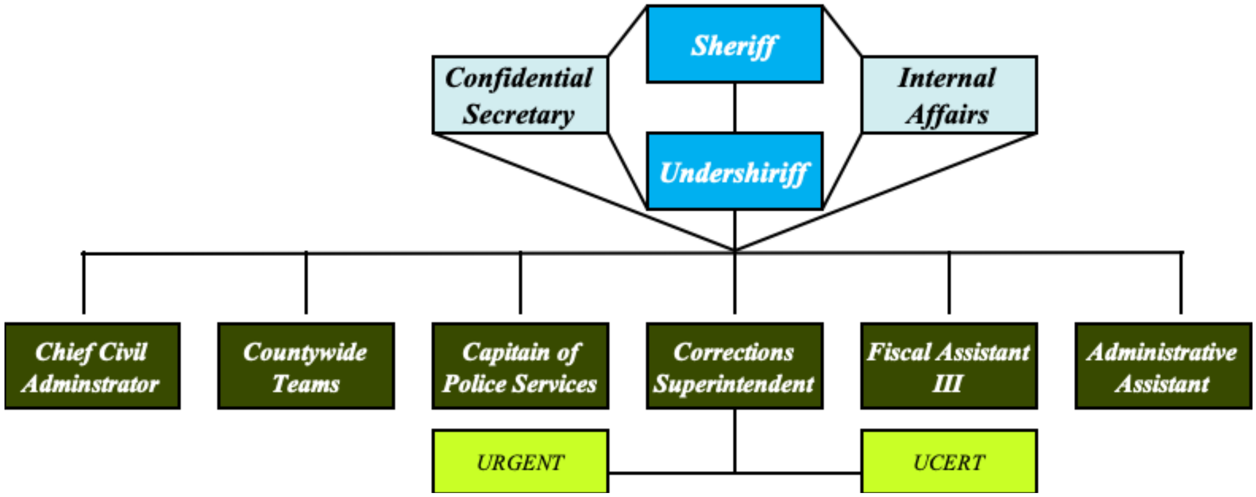
- *Ulster Regional Gang Enforcement Narcotics Team ("U.R.G.E.N.T.")*
  - U.R.G.E.N.T. is a narcotics focused criminal task force.

THE COUNTY SHERIFF

In accordance with the County Charter, the Sheriff is elected officials who acts as the County's Chief Law Enforcement Officer, supervising and managing all areas of the Office's operations.

Within 10 days upon taking office, the Sheriff shall appoint an Undersheriff to serve at his/her pleasure of the Sheriff, provided by law.

ORGANIZATIONAL STRUCTURE



Source: The 2021 Proposed Budget of the County.

WORKFORCE

Sheriff. The 2021 Proposed Budget includes a total of 82 benefited employees in the Office, which equates to approximately $6.3 million in fulltime salaries. This was consistent with the 2020 Adopted Budget for the Office. As of the end of August 2020, there were 12 vacancies reported.

Jail. The 2021 Proposed Budget includes a total of 151 benefited employees in the Office, which equates to approximately $9.6 million in fulltime salaries. This represented a reduction of 10 employees compared to the 2020 Adopted Budget for the Jail. As of the end of August 2020, there were 30 vacancies reported.

STRENGTHS AND OPPORTUNITIES

Based on departmental interviews and available financial documents, below is a summary of key strengths noted within the Office.

- *Recent Workforce Reductions*. Department has made progress to reduce its workforce and associated costs during 2020. The Office indicated they had not hired since February of 2020.
- *Staffing Analysis*. Once Bail reform is complete, the Office may reach out to the State to conduct a staffing analysis. Official officials indicated that Bail reform could impact the findings of this analysis.
- *Utilization of Security Division*. The security division provides for a much cheaper option than utilizing sworn officers.

- Valuable resource for County to support police functions while reducing costs.

WEAKNESSES AND THREATS

Based on departmental interviews and financial documents, below is a summary of key weaknesses and threats noted within the Office.

- *Hiring*. Recent difficulties in hiring staff and low turnout for a recent civil service exam.

- *Minimum Staffing*. Minimum staffing level requirements can make it somewhat difficult to reduce certain costs.

- *Aged Equipment and Liability*. An aged dishwasher in the jail facility requires costly annual maintenance and is a liability. Leasing a newer unit is an option which should be reviewed further by the County.

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DEPARTMENT OF SOCIAL SERVICES

MISSION

It is the mission of the Department of Social Services ("DSS") is to serve, assist and protect individuals and families who are vulnerable or in need in order to strengthen and preserve families and empower people to be more self-sufficient.

Source: The 2021 Proposed Budget of the County.

DEPARTMENT FUNCTIONS

DSS provides several social welfare programs and/or services to the residents of the County. Some of the services managed by the DSS include:

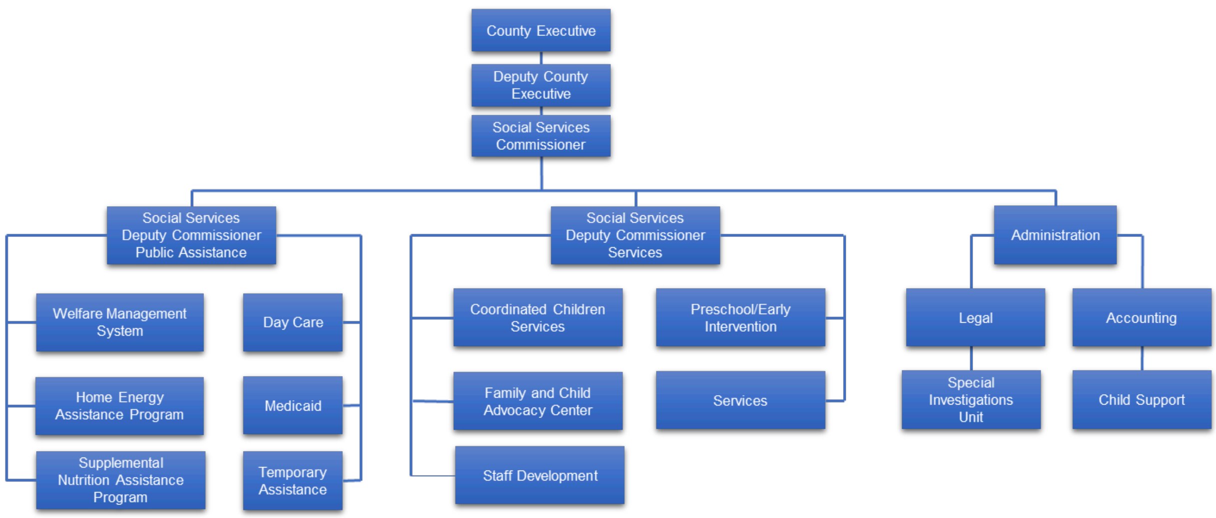
- Adoption
- Adult Protective Matters
- Anti-Fraud, Waste and Abuse Hotline Initiative
- Certified Alcohol/Substance Abuse Counselor
- Child Care Subsidy
- Child Protective Matters
- Child Protective Services (CPS)
- Children and Family Services
- Coordinated Children's Services (CCS)
- Early Intervention Services
- Home Energy Assistance Program (HEAP)
- Homelessness
- Medicaid
- Medical Assistance Program
- New Family Court Orders
- Preschool Special Education Services
- Removals (Child)
- Resource Recovery in conjunction with DSS's Resource Recovery Unit
- Special Investigations
- Supplemental Nutrition Program (SNAP)
- Support Collection
- Temporary Assistance

THE COMMISSIONER OF SOCIAL SERVICES

In accordance with the County Charter, the Commissioner of Social Services supervises and manages the daily operations, goals and objectives of the DSS.

ORGANIZATIONAL STRUCTURE

Department of Social Services
<u>Organizational Structure</u>



Source: The 2021 Proposed Budget of the County.

WORKFORCE

The 2021 Proposed Budget includes a total of 281 benefited employees in the DSS, which equates to approximately $15.1 million in fulltime salaries. Compared to the 2020 Adopted Budget, this represents a decrease of 36 positions, or 11.4%. As of the end of August 2020, there were and excess of 25 positions on a vacancy report provided by the County.

STRENGTHS AND OPPORTUNITIES

Based on departmental interviews and available financial documents, below is a summary of key strengths noted within the DSS.

- *Strong Management Team*. The management team of the DSS was found to be knowledgeable and experienced.

- *Offsetting Aid – Salaries*. Many positions on the DSS are eligible for various offsetting aid and/or grants, thereby reducing costs to the County.

- *Technology Upgrades*. Recent technology upgrade save time, increases efficiency and assisted the DSS to respond appropriately to complications caused by the COVID pandemic.

WEAKNESSES AND THREATS

Based on departmental interviews and financial documents, below is a summary of key weaknesses and threats noted within the DSS.

- *State Aid Withholding*. As result of the COVID pandemic, there presently is a 20% withholding from the State. Although not a write-off, these funds appear to be in question.

- *Possibility of Aid Cuts During 2021*. We caution the County, cuts to 2021 State and/or Federal aid would impact the DSS due to the higher levels of aid and grants received.

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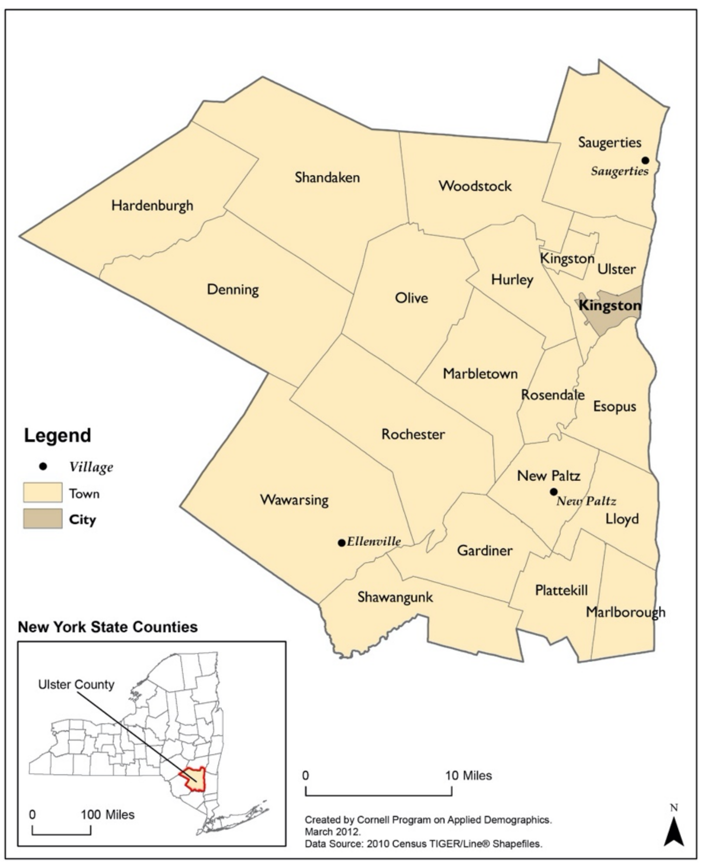
APPENDIX B:
DEMOGRAPHIC AND SOCIOECONOMIC ENVIRONMENT

GENERAL INFORMATION

Landmass. Organized in 1683, the County is situated in the Hudson Valley Region of New York State, about 70 miles north of New York City. It is bordered by Orange County to the south, Sullivan County to the west, Delaware County to the northwest, Greene County to the north and the Hudson River to the east. According to data obtained from the U.S. Census Bureau, the County encompasses a total land mass of 1,123.9, making it the twelfth largest county by physical space in the State

Local Governments. As detailed in Exhibits A-I, within the County there sits one (1) city, twenty (20) town and three (3) villages and fifteen (15) school districts.

Exhibit A-I
Cities, Towns and Villages Within the County



Source: Cornell University (Ulster County Profile 2017)

Educational Facilities. As detailed in Exhibits A-II, inclusive of overlapping districts, there are fifteen (15) elementary and secondary educational facilities within the County.

Exhibit A-II
<u>School Districts Within the County</u>

Source: Cornell University (Ulster County Profile 2017)

Higher education facilities located within County limits include, the State University of New York at New Paltz and the Ulster County Community College at Stone Ridge.

Fire District. According the County's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018, there a total of fifty six (56) fire districts within the County.

Recreation. Much of the County is within the Catskill Mountains and the Shawangunk Ridge, providing residents and visitors with access to a wide array of outdoor recreational activities. In fact, approximately one third of the County is open to the public for outdoor recreation. The County is the home of Minnewaska State Park, Mohonk Preserve, Sundown State Park, VerNooykill State Forest, Witches Hole State Forest, and Shawangunk Ridge State Forest, Sam's Point Preserve and provides direct access to Walkway Over the Hudson.

Transportation. The County is served by a network consisting of all the major forms of transportation. Several primary State and U.S. Highways including the New York State Thruway run through the County, which interconnects with other major roadways.

As detailed in Exhibits A-III, several airports are accessible from locations within the County.

Exhibit A-III
County Accessible Airports

Airport	Distance in Miles (1)
New York Stewart International Airport	42
Albany International Airport	65
Westchester County Airport	92
LaGuardia Airport	98
Newark Liberty International Airport	102
Joh F. Kennedy International Airport	107

(1) Measured in distance from the City of Kingston.

Source: The 2021-21 Ulster County Visitors Guide.

Bus transportation is generally provided through Ulster County Area Transit ("UCAT"). Operated through the County, UCAT provides fixed-route, deviated-fixed route, and commuter transit. Bus transportation within the City of Kingston is provided by the City.

Medical Facilities. As listed below, hospital services are provided by three (3) hospitals within the County.

- Health Alliance of the Hudson Valley (Mary's Avenue Campus)
- Health Alliance of the Hudson Valley (Broadway Campus)
- Ellenville Regional Hospital

In addition, the County administers a variety of programs to help those in need of health services including patient services, ambulatory clinic services, home health services, health education, environmental health and social work.

Municipal Services and Component Units. The County provides a full range of municipal services including;

- Law Enforcement;
- Educational Assistance;
- Construction and Maintenance of Highways;
- Public Health;
- Public Transportation;
- Environmental Protection;
- Recreational Facilities and Programs;
- Economic Assistance;
- Economic Opportunity and Development; and
- Community Development.

Source: The Comprehensive Annual Financial Report of the County for the fiscal year ended December 31,2018.

Although not discussed in detail, the County also is financially accountable for several separate entities or component units. These units include;

- Ulster Tobacco Asset Securitization Corporation (UTASC)
- Ulster County Economic Development Alliance (UCEDA),
- Ulster County Capital Resource Corporation (UCCRC),
- Ulster County Community College (UCCC), the
- Ulster County Resource Recovery Agency (UCRRA),
- Ulster County Industrial Development Agency (UCIDA),

Source: The Comprehensive Annual Financial Report of the County for the fiscal year ended December 31,2018.

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POPULATION BENCHMARKS

General Population. With an estimated population of 178,599 (Population Estimates Program, U.S. Bureau of the Census), the County is the (20th) most populated county in New York State. Over the period 1970 to 2018 the population of the County increased by approximately 26.9%, which was significantly higher than the State as a whole.

Exhibit A-IV
Population (1970 to 2018 (1))

Year	County	State
1970	**141,241**	18,241,366
1980	**158,158**	17,557,288
1990	**165,304**	17,990,455
2000	**177,749**	18,976,457
2010	**182,493**	19,378,102
2018 (1)	**179,303**	19,618,453
% Change 1970 to 2018 (1)	***26.9%***	***7.5%***

(1) Interim data for 2018.

Source: U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimate).

Population Gender Statistics. By comparison to the State, the County's population shows a slightly higher percentage of males. Nevertheless, there was still a greater concentration of females compared to males in the County for 2018.

Exhibit A-V
Population Gender Statistics (2018 (1))

Year	% Male	% Female
County	**49.5%**	50.5%
State	**48.5**	51.5

(1) Interim data for 2018.

Source: U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimate).

Population Age Statistics. As detailed in the following table, the median age of the County population was 43.7 years, which exceeded the median age of the State by 12.9%.

Exhibit A-VI
Population Age Statistics (2018 [1])

Age	County	State
Under 5 Years	4.4%	5.9%
5 To 9 Years	4.9	5.7
10 To 14 Years	5.4	5.8
15 To 19 Years	6.2	6.2
20 To 24 Years	6.7	6.9
25 To 34 Years	6.4	14.6
35 To 44 Years	5.8	12.5
45 To 54 Years	5.9	13.6
55 To 59 Years	5.7	6.8
60 To 64 Years	6.9	6.2
65 To 74 Years	7.9	8.8
75 To 84 Years	8.1	4.6
85 Years & Over	7.2	2.2
Median Age (Years)	43.7	38.7

(1) Interim data.

Source: U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimate).

Income Benchmarks

Per Capita Personal Income. According to information obtained from the U.S. Census Bureau, the per capita money income for residents of the County was estimated to be $33,879 in 2018, which was lower than the State by 10.6%.

Exhibit A-VII
Per Capita Money Income (2018 [1])

Year	County	State
2018	$33,879	$37,470

(1) Interim data.

Source: U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimate).

Median Income of Families. According to information obtained from the U.S. Census Bureau, the median family income in the County for 2018 was estimated to be $79,640, which slightly below that of the State.

Exhibit A-VIII
Median Income of Families (2018 [1])

Family Income	County	State
Less than $10,000	**2.7%**	4.3%
$10,000 to $14,999	**2.6**	2.9
$15,000 to $24,999	**5.4**	6.6
$25,000 to $34,999	**7.3**	7.2
$35,000 to $49,999	**10.5**	10.3
$50,000 to $74,999	**18.2**	15.8
$75,000 to $99,999	**14.5**	13.0
$100,000 to $149,999	**20.6**	18.2
$150,000 to $199,999	**9.8**	9.4
$200,000 or More	**8.4**	12.4
Median Family Income	**$79,640**	$80,419

(1) Interim data.

Source: U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimate).

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EMPLOYMENT BENCHMARKS

Unemployment Rates. As detailed in the following tables, the County's unemployment rate has historically been lower than that of the State.

Exhibit A-IX
Unemployment Rates (2015 to 2020)

Year	County	State
2015	**4.8%**	5.3%
2016	**4.4**	4.9
2017	**4.5**	4.7
2018	**3.9**	4.1
2019	**3.8**	4.0
2020 Monthly		
Jan	**4.2**	4.1
Feb	**4.1**	3.9
Mar	**4.1**	4.2
Apr	**14.9**	15.1
May	**10.8**	14.2
Jun	**11.2**	15.6
Jul	**12.4**	16.0

Source: The New York State Department of Labor, Bureau of Labor Statistics. Such information has not been seasonally adjusted.

Civilian Labor Force. As detailed in the following tables, the County's employed labor force for 2019 was estimated at 87,700, which represents a decrease of approximately 0.7% since 2015. Over this same period, the labor force for the State, as a whole, decreased by 0.5%.

Exhibit A-X
Civilian Labor Force Benchmarks (2015 to 2019)

Jurisdiction	2015	2016	2017	2018	2019		% Change 2015 to 2019
County	**88,300**	**88,100**	**88,000**	**88,300**	**87,700**		**0.7%**
State	9,558,800	9,551,900	9,549,100	9,521,900	9,514,400		0.5

Source: The New York State Department of Labor, Bureau of Labor Statistics. Such information has not been seasonally adjusted.

Major Non-Retail Employers. Herein follows a summary of major non-retail employers located within County limits.

Exhibit A-XI
Selected Major Employers in the County
Non-Retail [(1)]

Employer	Business	Estimated Employees (Range) [(1)]
County of Ulster	Government	1,000+
Health Alliance of the Hudson Valley	Health Services	1,000+
NY State Correctional Facilities	Correctional Services	1,000+
SUNY New Paltz	Educational	1,000+
Bank of America, N.A.	Finance	500-999
Mohonk Mountain House	Resort/Hotel	500-999
SUNY Ulster	Educational	500-999
BOCES	Educational	500-999
City of Kingston	Government	250-499
Hudson Valley Resort & Spa	Resort/Hotel	250-499
Kingston Consolidated School District	Educational	250-499
Northeast Center for Special Care	Health Services	250-499
Ten Broeck Commons	Health Services	250-499
Honor's Haven	Resort/Hotel	250-499
Ulster Savings	Finance	250-499
Ametek Rotron	Manufacturing	100-249
Brooklyn Bottling Company	Manufacturing	100-249
CH Energy Group	Utility	100-249
Ellenville Central School District	Educational	100-249
Ellenville Regional Hospital	Health Services	100-249
Elna Magnetics	Manufacturing	100-249
Fair Rite Products	Manufacturing	100-249
Fala Technologies	Manufacturing	100-249
Full Moon Resort	Resort/Hotel	100-249
Gateway Community Industries	Misc.	100-249
GHI Insurance	Insurance	100-249
HUCK International	Manufacturing	100-249

(1) Prior to the COVID-19 Pandemic

Source: Municipal Securities Rulemaking Board – Electronic Municipal Market Access Website (Official Statement of the County Dated September 16, 2020)

Major Retail Employers. Herein follows a summary of major retail employers located within County limits.

Exhibit A-XII
Selected Major Retail Employers in the County [1]

Employer	Business	Estimated Employees (Range) [1]
Wal-Mart	Retail	500-999
Hannaford	Retail	250-499
Adams Fairacre Farms	Retail	100-249
Home Depot	Retail	100-249
Kohl's	Retail	100-249
Lowes	Retail	100-249
Price Chopper	Retail	100-249
Sam's Club	Retail	100-249
Shop Rite	Retail	100-249
Target	Retail	100-249

(1) Prior to the COVID-19 Pandemic

Source: Municipal Securities Rulemaking Board – Electronic Municipal Market Access Website (Official Statement of the County Dated September 16, 2020)

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Employment by Industry. Herein follows a summary of employment by industry for the County and the State.

Exhibit A-XIII
Employment by Industry
County and State (2019 – Preliminary Data, Subject to Change)

Industry	COUNTY Avg. Employment	COUNTY %	STATE Avg. Employment	STATE %
Agriculture, Forestry, Fishing & Hunting	949	1.6%	27,087	0.3%
Mining	111	0.2	4,695	0.1
Utilities	0	0.0	37,028	0.4
Construction	2,876	4.8	405,639	4.3
Manufacturing	3,364	5.6	437,130	4.6
Wholesale Trade	1,468	2.4	325,997	3.4
Retail Trade	8,397	13.9	913,704	9.6
Transportation and Warehousing	1,305	2.2	267,252	2.8
Information	876	1.5	277,403	2.9
Finance and Insurance	1,402	2.3	518,602	5.4
Real Estate and Rental and Leasing	867	1.4	202,219	2.1
Professional and Technical Services	1,710	2.8	685,253	7.2
Management of Companies	345	0.6	145,366	1.5
Administrative and Waste Services	2,259	3.7	538,346	5.6
Educational Services	848	1.4	358,571	3.8
Health Care and Social Assistance	9,607	15.9	1,622,947	17.0
Arts, Entertainment, and Recreation	861	1.4	178,706	1.9
Accommodation and Food Services	7,555	12.5	779,223	8.2
Other Services, Ex. Public Admin	2,390	3.9	371,209	3.9
Unclassified	389	0.6	25,023	0.3
TOTAL PRIVATE SECTOR	47,579	78.5	8,121,400	85.1
Government	13,032	21.5	1,421,327	14.9
TOTAL ALL INDUSTRIES	60,611	100.0%	9,542,727	100.0%

Source: Quarterly Census of Employment and Wages, developed through a cooperative program between the State of New York and the U. S. Bureau of Labor Statistics.

HOUSING BENCHMARKS

Housing Unit Statistics. According to information obtained from the U.S. Census Bureau, the median value of an owner-occupied home in the County for 2018 was estimated to be $225,500, which was approximately 25.4% below the average for the State as a whole. The County's median gross (monthly) rent was $1,086, which was approximately 14.2% below the median for the State as a whole.

Exhibit A-XIV
Housing Units (2018 [1])

Jurisdiction	Median Value Owner-Occupied Housing Units	% Owner-Occupied Housing Units	Median Gross Rent
County	**$225,500**	**56.3%**	**$1,086**
State	302,200	53.9	1,240

(1) Interim data.

Source: U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimate).

EDUCATIONAL ATTAINMENT

Educational Attainment Statistics. According to information obtained from the U.S. Census Bureau, for 2018, approximately 90.5% of the County's population, age 25 or older, had graduated from High School or had attained a higher level of education. This exceeded the State as a whole.

Exhibit A-XV
Educational Attainment Statistics [1] (2018 [2])

Education Attained	County	State
High School Graduate or Higher	**90.5%**	86.5%
Some College, No Degree	**18.2**	15.7
Associate Degree	**10.4**	8.7
Bachelor Degree	**17.9**	20.2
Graduate or Professional Degree	**14.4**	15.7

(1) Based on population of 25 years or older.
(2) Interim data.

Source: U.S. Department of Commerce, Bureau of the Census (American Community Survey 5-Year Estimate).