

COUNTY OF ULSTER New York

ANALYSIS AND REVIEW *2022 EXECUTIVE BUDGET* **NOVEMBER 2021**

PREPARED WITH THE ASSISTANCE OF:





2021

ULSTER COUNTY

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SECTION I

EXECUTIVE SUMMARY

INTRODUCTION

In August 2021, Ulster County (the “County”) commissioned Capital Markets Advisors, LLC’s Strategic Consulting Group (“CMA”) to develop this review (the “Review”) to analyze the County’s proposed budget for its fiscal year ending December 31, 2022 (the “2022 Proposed Budget”). This marks CMA’s second, consecutive year reviewing the County’s budget. Members of CMA’s Strategic Consulting Group conducted an evaluation of the County budget and key departments during September through November of 2021, with continual review expected through the adoption of the 2022 Budget.

TIMING CONSTRAINTS AND OBJECTIVES ASSOCIATED WITH THE REVIEW

As part of process, CMA elected to interview various key departments of the County. 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 operations. The findings by CMA were based on its review and may be subject to change and adjustment as additional investigations are requested by CMA or the County.

APPROACH AND METHODOLOGY

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 2022 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 2022 Proposed Budget. However, the COVID-19 pandemic continues to complicate the “traditional” forecasting process, making it difficult to forecast with trends alone. 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 2022 remains a possibility which could impact the fiscal operations of the County.

The findings in the Review 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.	Prior Year Recommendation	Replace Payroll Checks with Electronic Deposits	CMA believes this recommendation is still valid and should be pursued by the County which could save between \$2.50 and \$10.00 per check, with potential, annual savings of several hundred thousand dollars. (Pg. 8)
2.	Prior Year Recommendation	Development of a Clerical Pool	The County has many clerical titles ranging from Clerk to Secretary that could become part of a pool. Potential savings could be several hundred thousand dollars. (Pg. 8)
3.	Prior Year Recommendation	External Shared Services Opportunities	CMA believes the County should seek shared services opportunities, particularly in light of its allocation of Federal aid under the American Rescue Plan Act of 2021. (Pg. 9)
4.	Prior Year Recommendation	Consolidation of the Central Garage and the Highway Garage	Consolidating these facilities could save the County \$170,000 annually through space/lease savings and the elimination of duplicative staff positions. (Pg. 9)
5.	Prior Year Recommendation	Contract an Energy Consultant	CMA strongly believes this recommendation should be pursued to take advantage of new and developing technologies. This has saved \$600,000 annually for other counties. (Pg. 9)

6.	Prior Year Recommendation	Enhanced Information Technology Utilization	The County should evaluate and pursue more efficient uses of highly skilled IT staff members to explore the long-term conversion of manual tasks to automated ones. (Pg. 9)
7.	Prior Year Recommendation	Hiring Freeze	A freeze in hiring new staff (that would not increase overall staff size) is the most strategic option to appropriately control expenditures and reduce the risk of structurally unbalanced finances. (Pg. 10)
8.	Prior Year Recommendation	Centralization of Grant Oversight	The centralized grant function would ensure the County has the opportunity to compete for all funding it qualifies for in the most efficient and timely manner. (Pg. 10)
9.	Prior Year Recommendation	Strategic Management of Health Insurance	CMA continues to recommend the County pursue a strategic approach to management of health insurance. (Pg. 11)
10.	Prior Year Recommendation	Increase Hotel Tax and Motel Occupancy Tax	CMA found that the County hotel and motel occupancy tax rates are half the market rate charged by other counties. Adjusting the rate from 4% to 4.5% market rate levels could generate an additional \$2 million in annual revenue for the County. (Pg. 11)
11.	Prior Year Recommendation	Adopt a Local Law to Allow Tax Levy Cap to be Exceeded	The County Legislature should consider adopting a local law to exceed the cap, even if the cap is not pierced. (Pg. 11)
12.	Budget Process	Organization of Budget Document(s)	A glossary of terms, which CMA recommended last year, should be included in the budget document. (Pg. 13)
13.	Budget Process	Statistical Information of Budget Document(s)	The 2022 Proposed Budget document should be revised to include meaningful demographic and socioeconomic information. (Pg. 14)
14.	Budget Process	Design of Budget Document(s)	The newly formatted 2022 Proposed Budget document incorporates hyperlinks throughout the document. This was an excellent addition. (Pg. 14)

15.	Budget Process	Detail of Budget Document(s)	Certain pages of the 2022 Proposed Budget were found to be somewhat confusing and lacking ways to identify what fund the information correlated to. (Pg. 14)
16.	Budget Process	Highlights of Budget Document(s)	A summary chart for total staffing would improve the 2022 Proposed Budget. (Pg. 15)
17.	Budget Process	Public Engagement	The budget process includes ample time for public engagement. (Pg.15)
18.	Revenues	Sales Tax	Reducing estimated sales tax in the 2022 Proposed Budget by approximately \$4 to \$5 million would help to alleviate risk. (Pg.21)
19.	Revenues	Real Property Taxes	A levy below the 2% tax cap is considered to be both conservative and appropriate for 2022. (Pg. 23)
20.	Revenues	State Aid	The reduction of State aid in the 2022 Proposed Budget was deemed appropriate. (Pg. 26)
21.	Revenues	Federal Aid	The amount of Federal aid in the 2022 Proposed Budget was deemed appropriate, however, the County should explore additional Federal grant and aid opportunities. (Pg. 29)
22.	Revenues	Occupancy Tax	The \$2.8 million budgeted for this purpose is appropriate and reasonable. (Pg. 31)
23.	Revenues	Occupancy Tax	The County's rate of 2% is far below the rate charged by most New York counties, which is generally in the range of 4% to 4.5%. (Pg. 31)
24.	Revenues	Departmental Revenues	To be conservative, departmental revenues should more closely match prior years. (Pg. 33)
25.	Expenditures	Positions and Salaries	The total estimate for salaries plus benefits for the 59 positions in the Proposed 2022 Budget is \$5,301,309. (Pg. 39)

26.	Expenditures	2021 Regular Salary Budget Lines	The County “Regular Pay” salary lines are budgeted sufficiently based on a review of salary payments made through September 30, 2021. However, the County must account for the terms of the recently settled labor contract with the CSEA. (Pg. 39)
27.	Expenditures	Strategic Control of Positions and Salaries	Since salaries and benefits constitute a significant portion of appropriations, strategic control is necessary. (Pg. 40)
28.	Expenditures	Collective Bargaining Risk	Moving forward, the County must carefully and accurately budget the regular pay salary lines, incorporating the impact of settled employment contracts. (Pg. 41)
29.	Expenditures	Overtime Lines	Certain overtime budget lines identified in Exhibit EXP-VI should be evaluated and considered for adjustment in the 2022 Proposed Budget. (Pg. 45)
30.	Expenditures	Purchase Orders	The County should review its use of POs and encumbrances to ensure that budgeted funds are used for intended purposes and budget lines are not overspent. (Pg. 46)
31.	Budgetary Variance	Revenue Analysis	The revenue variance analysis suggests that several sources of revenue in the governmental funds are historically underbudgeted. (Pg. 53)
32.	Budgetary Variance	Expenditure Analysis	There appears to be disproportionate positive expenditure variances, suggesting excessive padding in the budget. (Pg. 54)
33.	Budgetary Variance	Year-to-Date Revenue & Expenditure Variances	Although revenues are higher than expenditures through September 30, 2021, the County should continue to carefully monitor 2021 revenue and expenditures moving forward. (Pg. 55)
34.	Fund Balance	Fund Balance Policy	More conservative fund balance guidelines that ensure ample reserves and maximum liquidity are needed. (Pg. 57)

35.	Fund Balance	Appropriated Fund Balance	The County should consider using less appropriated fund balance from the General Fund in the 2022 Proposed Budget. (Pg. 58)
36.	Fund Balance	Comparative Fund Balance Analysis	The County's fund balance was comparatively lower than the averages reported for all New York counties and Mid-Hudson counties. (Pg. 74)
37.	Debt	Debt Management Policy	The development and adoption of a debt management policy is recommended. (Pg. 75)
38.	Debt	Cash Flow Financings	The County annually adopts resolutions authorizing the issuance of tax anticipation notes and revenue anticipation notes in the event of an emergency. This is a good practice. (Pg. 79)
39.	Debt	November Debt	Since the November 2021 debt 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 2021. (Pg. 79)
40.	Debt	Authorized but Unissued Debt	The County should periodically review unused authorizations to determine if purposes or needs for borrowing still exist. (Pg. 81)
41.	Capital Improvement Plan	2022 Capital Improvement Plan	The Proposed Budget message should include summaries of the Capital Improvement Program. (Pg. 81)
42.	Capital Improvement Plan	Capital Improvement Plan Sources of Funding	Although included in the details, the summary tables of the 2022 Capital Improvement Plan should include funding sources which will enhance transparency. (Pg. 83)
43.	Capital Improvement Plan	Capital Improvement Plan Growth Trends	By comparison, the Proposed Capital Improvement Program for 2022 shows an increase of approximately 53.24% compared to 2021. (Pg. 84)

44.	American Rescue Plan Act	Develop a More Detailed Understanding of the Interim Final Rules	Although interim, the U.S Treasury's rules detail the parameters of the ARPA. The County would benefit from developing a more comprehensive understanding of the rules. (Pg.18)

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SECTION II

STATUS OF PRIOR RECOMMENDATIONS (2021)

OPEN FINDINGS AND RECOMMENDATIONS FROM REVIEW OF THE 2021 PROPOSED BUDGET

During 2020, CMA was retained by the County to conduct a comprehensive review of the County 2021 Proposed Budget. A report was provided to the County in November 2021 which included both CMA's findings and a number of initiatives and/or recommendations. As work commenced on the review of the 2022 Proposed Budget, CMA discovered that a number of the recommendations from the prior year had not yet been implemented or initiated.

The following recommended actions and initiatives remain open (along with the corresponding page numbers where the items may be found in CMA's prior report):

Replace Payroll Checks with Electronic Deposits (CMA 2021 Executive Budget Analysis and Review Page 48). This recommendation would reduce or eliminate the need to print and then manually distribute or mail checks on a regular basis. It is also estimated that the County could save between \$2.50 and \$10.00 per check, with potential savings of several hundred thousand dollars.

CMA Finding - Replace Payroll Checks with Electronic Deposits. CMA believes this recommendation is still valid and should be pursued by the County.

Development of a Clerical Pool (CMA 2021 Executive Budget Analysis and Review Page 81). Such a pool of employees with similar titles could produce substantial savings for the County. The County has many clerical titles ranging from Clerk to Secretary that could become part of a pool. Salaries alone (not including benefits) range from \$31,000 to over \$62,000, thus the savings from a reduction of just two positions could easily surpass \$100,000.

CMA Finding - Development of a Clerical Pool. CMA believes the recommendation for a clerical pool should be pursued by the County.

Explore External Shared Services Opportunities (CMA 2021 Executive Budget Analysis and Review Page 82). Shared services between jurisdictions are outlined in New York State General Municipal Law and have been advocated for by the State and the State Comptroller's Office. Records management, joint fuel facilities, and emergency service dispatch are just some of the areas where municipalities have collaborated to experience cost savings.

***CMA Finding - Explore External Shared Services Opportunities.** CMA believes the County should seek shared services opportunities by working with the State Comptroller's Office in addition to contacting the purchasing and procurement staffs of other municipalities and researching contracts and bids that are allowed to be legally shared among jurisdictions.*

Consolidation of the Central Garage and the Highway Garage (CMA 2021 Executive Budget Analysis and Review Page 48). CMA estimated that consolidating these facilities could save the County \$170,000 annually through space/lease savings and eliminating duplicative staff positions. CMA believes that this recommendation should be pursued by the County.

***CMA Finding – Consolidation of Central Garage and the Highway Garage.** CMA believes the recommendation for a consolidation of these facilities should still be further investigated by the County.*

Contract an Energy Consultant (CMA 2021 Executive Budget Analysis and Review Page 48). CMA recommended that the County consider contracting an energy consultant to evaluate potential cost savings in the operation of the County's facilities. CMA noted that Suffolk County utilized such a consultant and realized savings of \$600,000 (net of consultant fees). Organizations like the New York State Energy Research and Development Authority ("NYSERDA") offer assistance and financing for actions that promote advances in energy programs and technology.

***CMA Finding – Energy Consultant.** CMA strongly believes this recommendation should be pursued to take advantage of new and developing technologies that could produce substantial savings for the County as well as other grants and assistance that should be expected in the future.*

Fully Utilize the Skills of the Information Services/Technology Department (CMA 2021 Executive Budget Analysis and Review Page 84). CMA found that the County's Information Technology Department was skilled and could be utilized to automate functions that are currently manual in nature. CMA provided examples of potential cost savings and the need for technology to improve efficiencies at a time when reduced staffing may be the reality.

***CMA Finding – Information Technology Utilization.** CMA understands that the Information Technology Department has been utilized to implement COVID-19 protocols. This is a positive use of Information Technology staff. Once this function becomes less necessary, CMA believes the County should evaluate and pursue more efficient uses of these highly skilled staff members to explore the long-term conversion of manual tasks to automated ones.*

Hiring Freeze to Control Expenditures (CMA 2021 Executive Budget Analysis and Review Page 39). In its response to CMA, the County stated it has not implemented a hiring freeze.

***CMA Finding – Hiring Freeze.** CMA believed, and still does, that a freeze in hiring new staff (that would not increase overall staff size) is the most strategic option to appropriately control expenditures and reduce the risk of structurally unbalanced finances. Based on year-to-date results through August 31, 2021, salaries appear to be funded at adequate levels (notwithstanding the impact of the recently settled CSEA contract on the remainder of the year’s budget).*

Centralization of Grant Oversight (CMA 2021 Executive Budget Analysis and Review Page 35). The County has not acted on CMA’s recommendation to explore centralizing grant oversight and monitoring of Countywide grant applications. In light of COVID relief funds, the American Rescue Plan Act (“ARPA”) in particular, the need for a centralized grant operation and point person to monitor grant applications and outside assistance is important. In addition, a centralized grant operation and grants coordinator would also be responsible for monitoring and tracking State and Federal Aid. This was deemed extremely important since State and Federal Aid has ranged between \$74 to \$78 million in the County General Fund Budget over the past four years. Of note, such funds represent nearly 30% of all General Fund expenditures.

A centralized grant oversight function and grants coordinator is also extremely important within the context of the amount of funding available by the State of New York. Grant funding and other financial support is available from the State through agencies like the Department of Environmental Conservation, the State Department of State, and the New York State Energy Research and Development Authority. The centralized grant function could oversee the County’s participation in the New York State Consolidated Funding Application (“CFA”) process which provides access to hundreds of millions of dollars in State assistance and grants.

***CMA Finding – Centralization of Grant Oversight.** The centralized grant function would ensure the County has the opportunity to compete for all funding it qualifies for in the most efficient and timely manner. CMA believes the County should pursue the establishment of a centralized grant function with a grants coordinator.*

Revise Investment Policy (CMA 2021 Executive Budget Analysis and Review Page 34). CMA previously recommended the County revise its investment policy to expand the limits of how available funds may be invested within the constraints of State Law.

***CMA Finding – Revise Investment Policy.** CMA believes this recommendation should be pursued by the County and could result in well over \$100,000 in additional, annual revenue to the County.*

Strategic Management of Health Insurance (CMA 2021 Executive Budget Analysis and Review Pages 40 and 48). CMA previously recommended a more strategic approach to health insurance coverage for County employees. The County has not taken any action based on its response to CMA’s request for an update on recommended actions and initiatives. Actions such as cooperative agreements, wellness programs, and employee

awareness of items like billing errors were some of the areas identified to improve management. CMA projected potential, annual savings in the range of \$1 million.

The 2022 Proposed Budget includes approximately \$29.3 million to fund the County's self-insured health Insurance program for its employees (compared to \$26.2 million in the 2021 amended budget). With a full-time/part-time employee total of 1,335 proposed for 2022 the average cost per employee is almost \$22,000. These large numbers make strategic management of health insurance extremely important.

***CMA Finding – Strategic Management of Health Insurance.** CMA continues to recommend the County pursue a strategic approach to management of health insurance that would include exploring partnerships with other counties and/or municipalities to create larger insurance pools under the laws of the State, or analyzing the cost of self-insurance against the cost of other insurance options like NYSHIP or private insurance providers. The County should continue improvements through the Health Insurance Working Group that was established several years ago.*

Using Market Rates for the Hotel Tax and Motel Occupancy Tax (CMA 2021 Executive Budget Analysis and Review Page 31). CMA found that the County's hotel and motel occupancy tax rates are half the rate charged by other counties. Adjusting the rate to 4% to 4.5% market rate levels could generate an additional \$2 million in annual revenue for the County. CMA believes this change, which is within the direct control of the County, would result in a significant increase in revenue.

***CMA Finding – Occupancy Tax.** CMA continues to strongly believes that occupancy and use taxes should be reviewed and adjusted by the County.*

Adopt a Local Law to Allow Tax Levy Cap to be Exceeded (CMA 2021 Executive Budget Analysis and Review Page 18). CMA recommended that the County Legislature should consider passing a local law that would authorize the State mandated tax levy cap to be exceeded if necessary.

***CMA Finding – Tax Cap Legislation.** Although the County has not pierced the cap to date, a local law would display the willingness of the County to take the actions necessary to adopt structurally balanced budgets moving forward. CMA continues to believe and recommend that the County Legislature consider adopting a local law to exceed the cap, if necessary.*

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SECTION III

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's 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 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. GFOA has a national organization structure but is also organized at the state level. The GFOA has a very active and engaged operation and presence in the State of New York.

Herein follows a concise discussion of best budgetary practices and CMA’s findings relative to its review of the County’s 2022 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). CMA’s review notes a newly formatted and constructed document for the 2022 Proposed Budget that includes most of the sections and information recommended by the GFOA. The addition of individual fund summaries with pie charts, bar graphs and narrative summaries of revenues and expenditures for each fund are positive additions.

A glossary of terms, which CMA recommended last year, is still missing from the budget document. A glossary would make the Proposed Budget easier to understand for users. An explanation of terms like “debt service”, “contractual pays”, and “Intra-County Charges”, would make the document more understandable and useful for those without expertise in finance.

Statistical Information of Budget Document(s). The GFOA recommends inclusion of the following statistical 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 2022 Proposed Budget document still lacks any meaningful demographic and socioeconomic information. Inclusion of this data would make the document more informative and would provide context for spending decisions and revenue projections. As was done in last year's Analysis and Review, CMA has included demographic and socioeconomic information in Attachment B to this Review. The information is similar to that provided in Official Statements of the County.*

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 of hyperlinks between the Table of Contents and specific pages on electronic versions of budgeted documents.

CMA Finding - Design of Budget Document(s). *The newly formatted 2022 Proposed Budget document incorporates hyperlinks throughout the document. This was a recommendation of CMA last year to improve the navigation of the document.*

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 reader's understanding. The GFOA also recommends that budget information be presented in such a way that is consistent between funds and between departments

CMA Finding - Detail of Budget Document(s). *Based on CMA's review of the County's 2021 Proposed Budget, the document was found to be generally concise and consistent. However, certain pages of the 2022 Proposed Budget were found to be somewhat confusing and lacking ways to identify what fund the information correlated to. For instance, page 29 of the 2022 Proposed Budget contains a pie chart breaking down expenditures by expense type. However, the page does not identify what County Fund the chart represents. If printed alone, the reader would not be able to associate the information on the page with the County Fund it represents. Additionally, page 30 has a detailed grid chart that again failed to identify the County Fund which the information represents. Having an identifier on the chart or on the page would make the chart more informative and impactful.*

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. Nevertheless, a summary chart for total staffing would improve the 2022 Proposed Budget. The 2022 Proposed Budget has a position summary chart for each individual department but lacks one overall position summary chart that contains the staffing total for each department with a total staffing number for the County. The chart should have one number for each department and the total for the County. At a minimum the total number of employees in the Proposed Budget should be presented in the “Personnel Changes” narrative.*

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.** CMA has reviewed the County’s Budget Timeline which is presented in the “Introduction” section of the Proposed Budget. The timeline outlines the County budget process. It provides ample time from the day the budget was released by the County Executive (October 1st) to the first of three scheduled public hearings (November 8th). The Legislature votes on the budget on December 2 which is three weeks after the last public hearing on November 10. The legislature has those three weeks to consider public comments and incorporate them into the final budget, as it deems appropriate. CMA believes the timeline and schedule of actions allow for ample public engagement. In order to further encourage public participation in the hearing process, the County should use its website to announce the public budget hearings on its homepage and list the hearings on its Events Calendar.*

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SECTION IV

REVENUES

REVENUE INTRODUCTION

The Proposed Budget of the County for the fiscal year ending December 31, 2022 has been constructed with the use of approximately \$351.1 million in revenues derived from various sources and \$5.3 million in appropriated fund balance and reserves. Key sources of revenue, as depicted in the 2022 Proposed Budget, include sales tax, State aid and Federal aid, real property taxes and special assessments, and departmental fees and charges. A summary of such revenues for the audited fiscal years ended December 31, 2011 through 2020, as budgeted for 2021 and as proposed by the County Executive for 2022 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 continues to come into sharper focus, and governmental entities across the United States remain in the direct line of fire. The full economic impact of the pandemic is still developing and its duration is unknown. However, the impact of Federal aid has been allocated to the County through the American Rescue Plan Act of 2021 will assist in the County's ability to mitigate the economic impacts related to the COVID-19 pandemic and its ability to recover. Nevertheless, even considering the significant allocation of Federal aid, there remains significant budgetary risk due to the pandemic's unknown 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.

AMERICAN RESCUE PLAN ACT OF 2021

The \$1.9 trillion American Rescue Plan Act of 2021 ("ARPA" or "ARP") signed into law on March 11, 2021, provides \$350 billion dollars in emergency funding for state, local, territorial, and Tribal governments to remedy this disparity between rising costs and falling revenues.

General Fund Revenues Trends
Fiscal Years Ended June 30, 2018 to 2022

Type of State or Local Government	Total Aid Allocation
States and the District of Columbia	\$195 Billion
Counties	\$65 Billion
Metropolitan Cities ⁽¹⁾	\$45.6 Billion
Tribal Governments	\$20.0 Billion
U.S. Territories	\$4.5 Billion
Populations Below 50,000	\$19.5 Billion

(1) 50,000+ Population or otherwise Federally deemed

Allocation. Under the ARPA, the County’s allocation of funding was determined by formula. In accordance with the prescribed formula, the County’s allocation of ARPA funding is \$34,491,474.

Funding Timeline. ARPA funds are distributed in two (2) equal tranches. The first tranche of funding (50% of total allocation) was disseminated by the US Treasury beginning in May of 2021 and has been received by the County. The second tranche is expected to be disseminated by the US Treasury in May of 2022.

Parameters. Funding is subject to the requirements specified in the US Treasury’s Interim Final Rule which was adopted by the US Treasury on May 10, 2021. Of note, as of the date of this Review, the US Treasury rules and parameters are still “interim.” A Final Rule is anticipated to be released by the US Treasury during the Fall of 2021, but there is no guarantee.

Eligible Uses. As detailed in the US Treasury’s Interim Final Rule, subject to change and amendment, recipients may use funds to:

1. *Support Public Health Expenditures:* For example: mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff
2. *Address Negative Economic Impacts:* Including economic harm to workers, households, small businesses, impacted industries and the public sector
3. *Replace Lost Revenue:* This is a formula driven calculation
4. *Provide Premium Pay to Essential Workers:* Offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors
5. *Invest in Certain Types of Infrastructure:* Such as Water, Sewer, and Broadband

Spending Timeline. ARPA funds must be “obligated” by State and Local Governments no later than December 31, 2024, and fully expended by December 31, 2026. According to the Interim Final Rule, the US Treasury adopted “a definition of ‘obligation’ that is based on the definition used for purposes of the Uniform Guidance (2 CFR part 200), which will allow for uniform administration of this requirement and is a definition with which most recipients will be familiar.” Funds that are not fully spent by December 31, 2026 are required to be returned to the US Treasury.

***CMA Finding – American Rescue Plan Act of 2021.** During focused interviews, it appeared that members of County staff do not possess a full understanding of the rule and regulations governing the eligible use of ARPA funds of the parameters surrounding the program itself. We caution the County, the inappropriate use of ARPA funds on ineligible projects or costs could result in claw-backs by the US Treasury. A claw-back of ARPA funds would have a direct and material negative impact on the County's finances. As such, with respect to its allocation of ARPA fund, it will be important for the County to:*

- 1. Develop a more comprehensive understanding of the US Treasury's Interim Final Rule;*
- 2. Continually monitor how revenues have been, and will continue to be, affected by the pandemic-induced economic downturn;*
- 3. Avoid funding costs or projects that include long-term financial commitments and;*
- 4. Plan for the best and most strategic long-term use of its ARPA allocation.*

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 41.29% of the County's General Fund revenue for the fiscal year ended December 31, 2020 (the most recent audited fiscal year), excluding other sources. Budgeting for sales tax is extremely important in that miscalculation can lead to substantial shortages due to the magnitude of this revenue stream.

Since 2017, the most the County has collected in any one year for sales tax was \$127,306,183, which correlated to fiscal 2020. For 2021 year-to-date, the County is on budget to collect in excess of the \$120,559,288 in the 2021 budget. That excess amount is very uncertain. For the month of August 2021, revenue was \$11,552,946, which was less than the July revenue of \$12,008,299. September revenue spiked to \$18,305,452 (New York State Department of Finance). This up and down trend should produce caution in projecting this important revenue in 2022. Historically, sales tax revenues increased by no more than 6% in any given one-year period between 2011 and 2020.

The 2022 Proposed Budget projects sales tax revenue at \$143,000,000. By any measure, the \$143,000,000 projection is deemed to be rather aggressive, especially in these uncertain times where the COVID-19 pandemic remains present in the community and State.

State and Federal Public Restriction Concerns. The implementation of pandemic-related restrictions by the State or Federal Government on how public and private entities must operate could have a material impact upon the County's ability to meet its sales tax estimate in connection with fiscal 2022. New York State Governor Kathy Hochul expanded the State mandate for masking at State-regulated, congregate settings. Public transportation restrictions were already in

place. In addition, Governor Hochul announced on September 6th that the State has designated COVID-19 an airborne, infectious disease which enables the State to enforce recently adopted workplace safety standards to control virus spread. According to *Newsday*, “Employers can adopt the model safety plan crafted by the state or develop their own in compliance with state standards. The HERO Act also requires employers with at least 10 workers to meet a November 1st deadline for establishing a joint labor-management workplace safety committee.”

Since COVID-related restrictions and requirements continue to be implemented and are anticipated in the future, it is difficult to assume that economic activity will resume at levels similar to or greater than before the pandemic. From a municipal budgeting standpoint, it is problematic and risky to assume economic activity will be restored to levels equal to or greater than pre-pandemic levels.

Supply Chain Concerns. In addition to the direct impact of COVID, there is multiple reporting on problems and disruptions in the product supply and distribution chain which could continue to impact retail activity over the coming months. These types of disruptions could have an adverse impact on economic activity and thus on sales tax collections. Supply chain problems and their impact on economic activity are other reasons to be cautious in projecting large increases in sales tax revenues.

As recent as October 28, 2021, data is showing the potential for a slowdown in economic activity and consumer demand. In fact, CNBC reported on October 28th that “The U.S. economy grew at a rate of 2% in the third quarter, its slowest increase since the end of the 2020 recession. ...Decelerations in consumer spending and residential investment helped keep the number lower...as supply chain issues and a marked deceleration in consumer spending stunted the expansion, the Commerce Department reported Thursday.” This new data should give pause to any aggressive projections of revenues dependent on consumer spending and expansion in economic activity.

Prior to the latest growth numbers being released, S&P Global Ratings stated “While still running hot the US economy has cooled as summer ends. Supply disruptions remain the leading suspect slowing the world’s biggest economy and the delta variant is now an additional drag...Recent economic data indicates people are pulling back after the reopening earlier in the year.” According to Yahoo Business News, Goldman Sachs Chief Economist Jan Hatzius recently stated “The U.S. economy will be battling a continued slowdown in 2022 as it contends with sticky inflation and supply chain bottlenecks.” The latest growth numbers support these observations and conclusions.

With the existence of so much economic uncertainty now supported by weak economic numbers, any projection of revenue that is dependent on rates outside the control of the County (i.e. as opposed to occupancy taxes which can be increased by the County on its own initiative of raising rates) should be done with great caution.

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, 2011 through 2020, the amount included in the 2021 Adopted Budget and the amount in the County 2022 Proposed Budget.

Exhibit RV-I
Sales Tax and Governmental Funds Revenues
Fiscal Years December 31, 2011 to 2022

FY Ending Dec 31:	Governmental Funds Revenue ^{(1) (2)}	Sales Tax	% Sales Tax to Governmental Funds Revenues
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 (Audited)	321,945,417	127,306,183	39.54
2021 (Adopted Budget) ^{(3) (4)}	328,852,676	120,559,288	36.66
2022 (Proposed Budget) ^{(3) (4)}	346,362,451	143,000,000	41.29

- (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, Special Grant, County Road Fund, Road Machinery Fund, Self-Insurance Fund and Debt Service Fund.
- (4) Budgeted amounts exclude the appropriation of \$11.8 million in 2020 and \$4.7 million in 2021.

Source: The audited financial statements for 2011 through 2020, the 2021 Adopted Budget and the 2022 Proposed Budget of the County. The summary itself is not audited.

On average, over the period 2011 through 2020, actual sales tax has historically accounted for more than 35.7% of County revenue in the Governmental Funds. For 2022, the proposed amount of sales tax equates to 41.3% of governmental revenues, which represents a significant increase over the time period measured.

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Sales Tax – Budgetary Variance Analysis. Operating budgets of the County were compared against the actual results for each of the fiscal years 2016 through 2020, inclusive. The results were utilized to evaluate a trend of accuracy relating to budgetary forecast.

Exhibit RV-II
Sales Taxes – Budgetary Variance Analysis
Fiscal Years December 31, 2016 to 2020

Fiscal Year	(Final) Adopted Budget	Actual Results	Positive (Negative) Variance
2020	\$128,561,423	\$127,306,183	\$(1,255,240)
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

Source: The budgets of the County.

Positive budgetary variances were reported in each of the last five fiscal years excluding 2020.

***CMA Finding- Sales Tax.** CMA cautions the County that the projection of \$143,000,000 for sales tax revenue in the 2022 Proposed Budget is too high based on the County's historic receipts, it's current erratic receipt trend in 2021, a 2022 projection based on the September 2021 actual collection amount, and product supply and distribution chain disruptions. Reducing estimated sales tax in the 2022 Proposed Budget by approximately \$4 to \$5 million would help to alleviate risk.*

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 22.37% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2020 (the most recent audited fiscal year). The collection of real property taxes could continue to be impacted as a result of the COVID-19 pandemic.

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-III 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, 2011 through 2020, the amount included in the 2021 Adopted Budget and the amount in the County Executive's 2022 Proposed Budget.

Exhibit RV-III
Real Property Taxes and Governmental Funds Revenues
Fiscal Years December 31, 2011 to 2022

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
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 (Audited)	321,945,417	72,026,254	4,957,180	23.91
2021 (Adopted Budget) ^{(3) (4)}	328,852,676	75,567,758	5,681,911	24.71
2022 (Proposed Budget) ^{(3) (4)}	346,362,451	75,317,758	5,794,000	23.42

- (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 \$11.8 million in 2021 and \$4.7 million in 2022.

Source: The audited financial statements for 2011 through 2020, the 2021 Adopted Budget and the 2022 Proposed Budget of the County. The summary itself is not audited.

Real property taxes account for 23.42% of governmental revenues in the 2022 Proposed Budget, which is generally consistent with prior years.

Real Property Taxes – Benchmark Analysis. Similar to the trend analysis, per-capita benchmarks were used to compare the County to its peers.

Exhibit RV-IV sets forth the percent change of real property tax reported in the 2019 for Mid-Hudson counties on a per-capita basis.

**Exhibit RV-IV
BASED ON 2019 DATA
Revenue Benchmark Analysis – Real Property Taxes**

County	Rank	2019 Real Property Taxes Per Capita
Sullivan	1	\$826
Westchester	2	758
Rockland	3	520
Putnam	4	413
<i>Ulster</i>	5	395
Dutchess	6	367
Orange	7	337

- (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 with 1 being the highest and 7 being the lowest.

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

Relative to real property taxes, the County posted the 5th highest per capita rate of the Mid-Hudson counties for 2019, the most recent year for which such information is available.

***CMA Finding- Real Property Tax Levy.** The proposed property tax levy for 2022 is slightly below the amount levied in 2021.*

In a typical budget year, it would be customary for a municipal jurisdiction to increase the levy, likely up to the 2% cap (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 2022 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 2022.

STATE AID

The County derives a major portion of its Governmental Funds revenue from State aid. State aid accounted for approximately 17.25% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2020 (the most recent audited fiscal year).

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-V 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, 2011 through 2020, the amount included in the 2021 Adopted Budget and the amount in the County Executive's 2022 Proposed Budget.

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Exhibit RV-V
State Aid and Governmental Funds Revenues
Fiscal Years December 31, 2011 to 2022

FY Ending Dec 31:	Governmental Funds Revenue ^{(1) (2)}	State Aid	% State Aid to Governmental Funds Revenues
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 (Audited)	321,945,417	55,520,902	17.25
2021 (Adopted Budget) ^{(3) (4)}	328,852,676	57,277,957	17.42
2022 (Proposed Budget) ^{(3) (4)}	346,362,451	50,265,876	14.51

- (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 \$11.8 million in 2021 and \$4.7 million in 2022.

Source: The audited financial statements for 2011 through 2020, the 2021 Adopted Budget and the 2022 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, Mid-Hudson counties on a per-capita basis.

Exhibit RV-VI sets forth the percent change of State aid reported in the 2019 for Mid-Hudson counties on a per-capita basis.

**Exhibit RV-VI
BASED ON 2019 DATA
Revenue Benchmark Analysis – State Aid**

County	Rank	2019 State Aid Per Capita
Westchester	1	\$405
Sullivan	2	365
Dutchess	3	330
Ulster	4	291
Rockland	5	288
Orange	6	284
Putnam	7	227

- (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, 7 the lowest).

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

Relative to State aid, the County posted the 4th highest amount of the Mid-Hudson counties for 2019, the most recent year for which such information is available.

***CMA Finding- State Aid.** The County derives revenue through various forms of State aid. State aid in the 2022 Proposed Budget total approximately \$50.2 million dollars, a decrease from prior years. Considering the uncertainties surrounding 2022 and the continued potential for a resurgence of the COVID pandemic, the reduction of State aid in the 2022 Proposed Budget was deemed appropriate.*

FEDERAL AID

The County derives a major portion of its Governmental Funds revenue from Federal aid. Federal aid accounted for approximately 11.31% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2020 (the most recent audited fiscal year).

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-VII 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, 2011 through 2020, the amount included in the 2021 Adopted Budget and the amount in the County Executive's 2022 Proposed Budget.

Exhibit RV-VII
Federal Aid and Governmental Funds Revenues
Fiscal Years December 31, 2011 to 2022

FY Ending Dec 31:	Governmental Funds Revenue ^{(1) (2)}	Federal Aid	% State Aid to Governmental Funds Revenues
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 (Audited)	321,945,417	36,405,304	11.31
2021 (Adopted Budget) ^{(3) (4)}	328,852,676	35,458,746	10.78
2022 (Proposed Budget) ^{(3) (4)}	346,362,451	37,777,964	10.91

- (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 \$11.8 million in 2021 and \$4.7 million in 2022.

Source: The audited financial statements for 2011 through 2020, the 2021 Adopted Budget and the 2022 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 peer, Mid-Hudson counties on a per-capita basis.

Exhibit RV-VIII sets forth the percent change of Federal aid reported in the 2019 for Mid-Hudson counties on a per-capita basis.

**Exhibit RV-VIII
BASED ON 2019 DATA
Revenue Benchmark Analysis – Federal Aid**

County	Rank	2019 Federal Aid Per Capita
Westchester	1	\$259
Sullivan	2	249
Dutchess	3	233
Orange	4	210
<i>Ulster</i>	5	189
Rockland	6	159
Putnam	7	119

- (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, 7 the lowest).

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

Relative to Federal aid, the County posted the 5th highest amount of the Mid-Hudson counties for 2019, the most recent year for which such information is available.

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 Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, and the American Rescue Plan Act of 2021 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 credit 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 (918,762) and Monroe (741,770), are the only MLF eligible issuers, other than the State itself and some of its agencies.

American Rescue Plan Act. On March 11, 2021, the Federal American Rescue Plan Act (ARPA) was enacted. The ARPA is a \$1.9 trillion economic stimulus bill intended to contain the COVID-19 pandemic and accelerate the nation's economic recovery. The ARPA provides the State with \$12.6 billion in general aid (“recovery aid”) as well as \$17.2 billion in categorical aid for schools, universities, childcare, housing and other purposes. The County received approximately \$17 million in ARPA Funds in 2021 and expects to receive approximately \$17 million in additional funds in 2022.

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, there have recently been large allocations of Federal aid specifically to the County. As such, the projection for Federal aid in the 2022 Proposed Budget was deemed to be appropriate. Nevertheless, the County should continue to monitor this source and seek to identify strategic opportunities to increase this form of aid. There presently exists several Federal grant programs which may be applicable to the County.

HOTEL OR MOTEL OCCUPANCY TAX

The County's 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. Occupancy tax is the tax that is charged for things such as motel and hotel rooms, and homes rented through services like Air BnB. 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 0.53% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2020 (the most recent audited fiscal year). In the 2022 Proposed Budget, occupancy tax receipts are increased by 44% from \$2,000,000 in the 2021 adopted budget to \$2,875,000. This represents a large increase in one year.

The rate the County charges is 2%. Unlike sales tax, occupancy tax is wholly established by the County Legislature and collected by the Commissioner of Finance.

Exhibit RV-IX, 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, 2011 through 2020, the amount included in the 2021 Adopted Budget and the amount in the County's 2022 Proposed Budget.

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Exhibit RV-IX
Hotel or Motel Occupancy Taxes and Governmental Funds Revenues
Fiscal Years December 31, 2011 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
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 (Audited)	321,945,417	1,691,458	0.53
2021 (Adopted Budget) ^{(3) (4)}	328,852,676	2,000,000	0.61
2022 (Proposed Budget) ^{(3) (4)}	346,362,451	2,875,000	0.83

- (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 \$11.8 million in 2020 and \$4.7 million in 2021.

Source: The audited financial statements for 2011 through 2020, the 2021 Adopted Budget and the 2022 Proposed Budget of the County. The summary itself is not audited.

CMA Finding- Hotel or Motel Occupancy Tax Projection. *The 2022 Proposed Budget projects 2022 Occupancy Tax at \$2,875,000, which represents an increase of approximately 44% over the amounts adopted in 2021. Based on year-to-date 2021 receipts as of September 30th (\$2,199,430), the amount estimated in the 2022 Proposed Budget was deemed to be feasible. Nevertheless, we caution the County, the continued impact of COVID restrictions should be carefully monitored as they could significantly impact this source of revenue. During the focused interview process, County officials indicated they believed the County could reasonably expect to reach the \$2.8 million amount in 2021.*

CMA Finding- Hotel or Motel Occupancy Tax Rate Increase. *In its prior review, CMA recommended the occupancy rate be reviewed by the County and increased accordingly to match the “market rate.” The County’s rate of 2% is far below the rate charged by most New York counties, which is generally in the range of 4% to 4.5%. Assuming the amount included in the 2022 Proposed Budget is accurate, an increase in the rate to the market-rate would roughly double*

this source of revenue, thereby adding an additional \$2.8 million to the County's stream of recurring revenues.

DEPARTMENTAL REVENUES

The County derives revenues from various form of departmental fees and charges. Departmental revenue accounted for approximately 3.12% of the County's Governmental Funds revenue for the fiscal year ended December 31, 2020 (the most recent audited fiscal year).

Exhibit RV-X, 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, 2011 through 2020, the amount included in the 2021 Adopted Budget and the amount in the County Executive's 2022 Proposed Budget.

Exhibit RV-X Departmental Revenues and Governmental Funds Revenues Fiscal Years December 31, 2011 to 2022

FY Ending Dec 31:	Governmental Funds Revenue ⁽¹⁾ ⁽²⁾	Departmental Revenues	% Departmental Revenues to Governmental Funds Revenues
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 (Audited)	321,945,417	10,030,575	3.12
2021 (Adopted Budget) ⁽³⁾ ⁽⁴⁾	328,852,676	11,245,874	3.42
2022 (Proposed Budget) ⁽³⁾ ⁽⁴⁾	346,362,451	10,521,033	3.04

- (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 \$11.8 million in 2021 and \$4.7 million in 2022.

Source: The audited financial statements for 2011 through 2020, the 2021 Adopted Budget and the 2022 Proposed Budget of the County. The summary itself is not audited.

CMA Finding- Departmental Revenue. *The County derives revenue from an assortment of user and service charges. Departmental income in the 2022 Proposed Budget total approximately \$10.5 million dollars, a decrease from 2021, however they remain higher than in 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. An amount in the range of \$10.0 million would be more appropriate for this source.*

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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 (per Comptroller report). The Legislature's Ways and Means Committee has discussed the adoption of a real estate transfer tax (at a rate of \$0.50 for each \$500 of consideration). Just recently, the State Legislature adopted a transfer tax for Suffolk County towns that is specifically for housing to compliment the transfer tax already in place for land and water preservation. 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 annually.

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 additional earnings.
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. Doing 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 charge 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 a result of the COVID-19 pandemic, there exist significant and unknown factors outside of the direct control of the County which could (severely and significant) impact key revenue sources. As a result, it is inevitable that a certain level of revenue risk will exist in the 2022 Proposed Budget. To limit the risk of developing a structurally imbalanced budget, revenues should be kept as conservative as possible.

SECTION V

EXPENDITURES

EXPENDITURE INTRODUCTION

The Proposed Budget of the County for the fiscal year ending December 31, 2022 includes total expenses of \$351.1 million. These expenditures are proposed to be offset with \$345.8 million in revenues, through the appropriation of approximately \$4.7 million in fund balance and through the use of \$0.6 million in reserves.

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 (2016 to 2020, inclusive) 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 continues to exist unknown factors outside of the direct control of the County which could 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 2022 develop favorably.

PERSONNEL, STAFFING AND PAY CONSIDERATIONS

As is common with most municipal jurisdictions, the services provided by the County are extremely labor intensive, and, as a result, employee wages and benefits account for a great deal of the County's annual expenditures. In fact, over 27% of the 2022 Proposed Budget relates to

regular, part-time, overtime, and contractual pays. Another 17.6% is earmarked to pay relating to health insurance, social security, worker's compensation, retirement and unemployment.

Salary and Benefit Increases. Overall, regular pay alone increases over 13.3% between the Adopted 2021 Budget and the Proposed 2022 Budget. Furthermore, as noted in Exhibit EXP-I, salary and related benefit appropriations were increased by a grand total of 9.48% in the 2022 Proposed Budget when compared to the 2021 Adopted Budget.

Exhibit EXP-I
Salary and Benefit Percentage Increase
2021 (Adopted) to 2022 (Proposed)

Budget Item	2021 Adopted Budget	2022 Proposed Budget	Difference	Percentage Increase or Decrease
Regular Pay	\$72,301,962	\$81,930,262	\$9,628,300	13.32%
Part Time Pay	4,915,121	6,028,556	1,113,435	22.65
Overtime Pay	3,389,976	4,028,425	638,449	18.83
Contractual Pays	5,010,253	4,834,013	(176,240)	(3.52)
SS/FICA	6,693,831	7,569,630	875,799	13.08
Health Insurance	26,924,344	29,343,917	2,419,573	8.99
Unemployment	100,000	60,000	(40,000)	(40.00)
Worker's Comp.	11,549,518	12,685,126	1,135,608	9.83
Retirement	<u>13,924,125</u>	<u>12,052,840</u>	<u>(1,871,285)</u>	<u>(13.44)</u>
TOTALS:	\$144,809,130	\$158,532,769	\$13,723,639	9.48%

Source: County Budgets.

New Positions for 2022. Although some of the increase in pay is attributable to two, recently settled contracts with employees, including the Civil Service Employee Association (CSEA), a portion is also attributable to adding 59 new positions at a cost of \$3.5 million in pay alone. Exhibit EXP-II below, provides a detailed summary of the 59 positions added to the 2022 Proposed Budget.

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Exhibit EXP-II
New Positions in 2022 Proposed Budget

Position	Department	Salary	Anticipated Funding Source
Discovery Unit Chief	DA	\$84,139	County
ADA	DA	\$70,361	County
Paralegal	DA	\$57,439	County
Record Op. Manager	DA	\$53,362	County
Video Technician	DA	\$57,439	County
Administrative Asst.	DA	\$48,274	County
Mental Health Spec.	Pub. Defender	\$66,576	State
Dir. Res.&Recovery	Finance	\$97,807	ARPA
Res.&Rec. Proj. Mgr.	Finance	\$76,986	ARPA
Asst. Dir Res.&REC.	Finance	\$59,040	ARPA
Accountant	Finance	\$57,440	County
Dir. Internal Audit	Comptroller	\$78,410	County
Dir. Bud & Innovation	Budget	\$105,102	County
Registration Clerk	Elections	\$50,856	County
Registration Clerk	Elections	\$50,856	County
Cust. Worker	Buildings & Grounds	\$32,214	County
Bldg. Trades Worker	Buildings & Grounds	\$39,130	County
Bldg. Trades Worker	Buildings & Grounds	\$39,130	County
Systems Specialist	Information Services	\$66,576	County
Application Specialist	Information Services	\$66,576	County
Project Director	Information Services	\$81,973	County
Asst. Proj. Director	Information Services	\$73,874	County
Cust. Service Rep.	Information Services	\$57,439	County
Cust. Service Rep.	Information Services	\$57,439	County
Deputy Sherriff	Sherriff	\$51,854	County
DS Detective	Sherriff	\$66,967	County
Deputy Sherriff	Sherriff	\$51,854	County
Security Guard	Sherriff	\$40,456	County
Fiscal Assistant	Sherriff	\$40,810	County
Internal Invest. Officer	Sherriff	\$74,984	County
DS Detective	Sherriff	\$33,499	County
VC Counselor	Probation	\$65,645	County
Commissioner	Mental Health Admin.	\$110,001	County
Financial Analyst	Mental Health Admin.	\$74,001	County
Evaluative Analyst	Mental Health Admin.	\$66,675	County
Spec. Project Coordinato	Mental Health Admin.	\$81,973	County
MH Specialist	Mental Health Admin.	\$66,576	County
MHS Sys. Specialist	Mental Health Admin.	\$76,950	County
EL Specialist	Social Services	\$53,362	Fed/State
Spec. Welfare Examiner	Social Services	\$39,658	Fed/Local
SWE (Medicaid)	Social Services	\$39,658	Fed/State
SWE (Temp. Assistance)	Social Services	\$39,658	Fed/State/Local
Sen. Child Supp. Spec.	Social Services	\$46,883	Fed/Local
Admin. Assistant	Social Services	\$46,883	Fed/State
Senior Typist	Social Services	\$35,690	Fed/State/Local
Comm Ser. Aide	Social Services	\$32,214	Fed/State/Local
Mental Health Spec.	Social Services	\$66,576	Fed/State/Local
Case Aide	Social Services	\$35,690	Fed/State/Local
Senior Case Worker	Social Services	\$57,985	Fed/State/Local
Senior Case Worker	Social Services	\$57,985	Fed/State/Local
Asst. Youth Bur. Coord.	Youth Bureau	\$51,724	Grant
Senior Planner	Planning	\$66,576	County
Bus. Services Admin.	Econ. Development	\$71,417	County
Environ. Outreach Mgr.	Environment	\$56,220	County
Hwy. Main. Specialist	County Road	\$65,936	County
Road Main. Leader	County Road	\$61,318	County
Welder	County Road	\$61,318	County
CEO II	County Road	\$58,386	County
CEO II	County Road	\$58,386	County
TOTAL		\$3,534,206	

Source: County officials.

CMA Finding – 2022 Proposed Budget for Positions and Salaries. According to the County Executive’s budget message, a substantial portion of the payroll increase in the Proposed Budget is attributable to contractual increases generated by recently settled labor agreements. The 2022 Proposed Budget also includes 59 new positions (see Exhibit EXP-II), which call for \$3,534,206 in additional salaries (excluding benefits) of which 17 are partially or wholly subsidized by State and/or Federal aid. Using a conservative 50% of salaries to calculate future benefit costs the estimated expense for benefits for the 59 positions is \$1,767,103 bringing the total estimate for salaries plus benefits for the 59 positions to \$5,301,309 for the first year with contractual increases in future years.

Three of the outside funded positions rely totally on Federal ARPA money. The creation of three full time positions using ARPA funding will result in three sets of recurring costs for salary and benefits that will eventually need to be funded by County sources if the positions are retained when the ARPA money is exhausted. **Almost all guidance released on ARPA recommends that ARPA funds not be used for recurring expenses. GFOA warns on its website: “Temporary Nature of ARPA Funds: ARPA funds are non-recurring so their use should be applied primarily to non-recurring expenditures.”** The salaries alone for these three ARPA funded positions total \$233,833 (with CMA estimating another \$116,000 in benefits).

Year-to-Date Regular Pay Analysis. Exhibit EXP-III below, provides a detailed summary of the year-to-date regular pay during fiscal 2021.

Exhibit EXP-III
2021 Regular Pay Analysis (Year-to-Date, As of September 30, 2021)

Division	Budget Line	2021 Amount Budgeted	Amount Used ⁽¹⁾	Percent of 2021 Budget Used
Public Works Admin.	Regular Pay	\$ 669,097	\$ 380,968	56.94%
Buildings and Grounds Admin.	Regular Pay	2,475,738	1,501,898	60.66
Central Auto	Regular Pay	341,535	178,023	52.12
Engineering	Regular Pay	371,966	253,864	68.25
Road Machinery	Regular Pay	904,131	543,774	60.14

(1) As of September 30, 2021.

Source: County Budgets.

CMA Finding – 2021 Regular Salary Budget Lines. For the current fiscal year, the County "Regular Pay" salary lines are budgeted sufficiently based on a review of salary payments made through September 30, 2021. The budget lines in Exhibit EXP-III are illustrative of sufficiently budgeted salary lines in the 2021 budget. About three quarters (75%) of the regular pay lines should be used through September 30th applying a straight proportional analysis. The lines in Exhibit EXP-II are exemplary of the salary lines throughout the budget which in aggregate are below that 75% amount. However, the County must account for the terms of the recently settled

labor contract with the CSEA. The salary terms of that contract are presented in Exhibit EXP-III. The cost of the settlement in 2021 will need to be absorbed by the remaining 2021 budget and moving forward, the terms of the contract must be incorporated into budgets through 2024. The County Executive in his budget message also states there are two contracts that are currently being negotiated and are expected to be settled soon. The County Executive notes that no funds have been budgeted for the settlements of the contracts.

CMA Recommendation – Strategic Control of Positions and Salary Expenditures. *The County Executive stated in the 2022 Executive Budget message that the 59 new positions “bring the County near the 2019 Adopted Budget workforce count.” CMA found in last year’s budget review that a more strategic option for the County to control costs would be a strict, yet objective, hiring freeze in which only positions and/or functions deemed essential may be filled. CMA stated that since salaries and benefits constitute a significant portion of appropriations in its budgets (including the proposed 2022 Proposed Budget), instituting a strict hiring freeze allowing only for the replacement of essential positioned employees would lessen the risk of structural financial deficits which could result if key revenues (such as State or Federal aid, or sales tax) do not materialize as planned. Because of the heavy reliance on State and Federal aid, non-recurring recovery aid, and sales tax that is dependent on economic activity effected by a uncertain environment where new COVID restrictions are still being implemented by the State and Federal governments, CMA believes that the County should carefully review the creation of the 59 positions with the goal being to only fund those positions that are deemed essential, and delay those with a lower priority, in an effort to reduce risk of a structurally unbalanced budget and budget deficit in future years. A reduction of 10 positions averaging \$50,000 could reduce spending in 2022 by \$825,000 (salaries plus benefits).*

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STATUS OF COLLECTIVE BARGAINING AGREEMENTS

According to the Preliminary Official Statement of the County, dated October 25, 2021, the County had 1,156 full-time employees and approximately 127 part-time employees as of that date.

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

Exhibit EXP-IV **County Employees and Collective Bargaining Organizations**

Collective Bargaining Organization	Full-Time Employees	Part-Time Employees	Contract Expiration
Civil Service Employee's Association	791	69	December 31, 2024
Ulster County Sheriff's Association	162	12	<i>December 31, 2019 ⁽¹⁾</i>
Police Benevolent Association	59	25	<i>December 31, 2019 ⁽¹⁾</i>
Ulster County Staff Association	42	0	<i>December 31, 2020 ⁽¹⁾</i>
Superior Officers' Unit	5	0	<i>December 31, 2019 ⁽¹⁾</i>
TOTALS	1,026	104	

Source: County officials.

Details of the recently settled CSEA contract are provided in Exhibit EXP-V, below:

Exhibit EXP-V **CSEA Contract Settlement - Pay Provisions**

Effective Date	Terms
12/31/20	DPW salary schedule increases by \$5.70 across the board
12/31/20	Salary schedule Step 1-6 increases by 3.5% (non-retroactive)
04/01/21	Salary schedule Step 1-6 increased by 3.5% (retroactive)
01/01/22	Salary schedule steps 1-6 increased by 2% plus \$0.25
01/01/23	Salary schedule steps 1-6 increased by 2% plus \$0.25
01/01/24	Salary schedule steps 1-6 increased by 2% plus \$0.25

Source: Ulster County CSEA Unit 8950/Local 856- County of Ulster Memorandum of Agreement, May 26, 2021.

CMA Finding – Collective Bargaining Risk. *Moving forward, the County must carefully and accurately budget the regular pay salary lines, incorporating the impact of settled employment contracts, as well as contracts under negotiation, so as to narrow the gap between funding needed for regular pay and what is actually budgeted, and to not underbudget the lines thus creating a deficit. The County has informed CMA that the reason for not budgeting a projected settlement amount is that in doing so the County would be negotiating in bad faith. CMA disagrees with this*

approach. As long as the County does not use the amount budgeted as a “take it or leave it” amount (avoiding what is known as “Boulwarism” in labor-management circles) and remains flexible, budgeting at least some of the cost of a settlement is a responsible approach that will avoid large gaps between revenues and expenditures in the budget, which is something that the NY State Comptroller warns against in its Citizens’ Guide to Local Budgets. In its Citizens’ Guide, the State Comptroller notes “Adopted budgets should not show deficits or surpluses, since adopted budgets must be balanced.” Ignoring the impact of employee contract settlements essentially builds a deficit into the budget that will need to be addressed after the fact with a revenue source not included in the adopted budget.

In addition, if labor contracts are settled between the date of introducing the 2022 Proposed Budget and the adoption of the budget, then the exact impact of the settlement should be included in the adopted budget from both the expenditure and revenue sides of the ledger.

HEALTH INSURANCE CONSIDERATIONS

The 2022 Proposed Budget of the County includes an appropriation of \$29.3 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.

Continue to Offer Cash Payment In Lieu of Health Benefits. Similar to 2021, the 2022 Proposed 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.

OVERTIME ANALYSIS

Budgeting for overtime is always a difficult task while also trying to control staffing costs and the impact of those costs on the yearly operating budget. The COVID-19 pandemic has made budgeting for overtime even more difficult as additional tasks and requirements on staff have occurred.

In its detailed review of individual 2021 budget lines, CMA observed that a number of overtime lines had their budget amounts modified through September 30, 2021. Further review of actual spending for those lines in 2020 indicated that modifications were also made in a number of the lines. CMA then compared the 2020 actual expenditures and 2021 year-to-date expenditures for 11 overtime lines with the amounts being proposed in the 2022 Proposed Budget. These lines all had substantial modifications made to their 2021 adopted amounts. Applying a standard formula CMA calculated suggested amounts for the 2022 budget and the impact the changes would have on the 2022 Proposed Budget

Exhibit EXP-VI on the following page, provides a detailed summary overtime based upon the aforementioned methodology.

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Exhibit VI - Overtime Budget Analysis

Budget Line	2020 Actual Spent	2021 Orig. Budget	2021 Amended Budget	2021 Expended	2021 Amount Remaining	2022 Proposed Exec. Budget	Suggested Amount*	Suggested Increase
Commissioner of Finance-OT	\$10,569	\$500	\$17,450	\$17,356	\$94	\$1,250	\$14,710	\$13,460
Purchasing-OT	\$3,634	\$0	\$37,600	\$37,151	\$449	\$3,500	\$21,648	\$18,148
Emergency Communications-OT	\$153,851	\$185,743	\$192,243	\$191,776	\$467	\$205,000	\$181,699	-\$23,301
Jail-OT	\$1,418,890	\$1,100,000	\$1,600,000	\$1,281,405	\$318,595	\$1,500,000	\$1,584,917	\$84,917
Patient Services-OT	\$120,195	\$8,447	\$84,947	\$84,815	\$132	\$10,250	\$107,700	\$97,450
UCAT-OT	\$65,070	\$75,000	\$97,500	\$97,166	\$334	\$89,925	\$85,349	-\$4,576
City of Kingston-Service Expansion-OT	\$20,159	\$6,100	\$17,100	\$16,617	\$483	\$11,000	\$19,561	\$8,561
Civil Division-OT	\$634	\$5,000	\$28,000	\$13,705	\$14,295	\$10,000	\$15,033	\$5,033
URGENT Investigations-OT	\$56,133	\$52,500	\$59,500	\$36,819	\$22,681	\$60,000	\$60,707	\$707
Public Health Administration-OT	\$13,284	\$0	\$8,800	\$8,762	\$38	\$0	\$11,594	\$11,594
PHC-OT	\$11,704	\$304	\$4,604	\$4,357	\$247	\$248	\$8,562	\$8,314
Totals						\$1,891,173	\$2,111,480	\$220,307

* Suggested amount is a calculation: The average of the 2020 actual and 2021 amended budget increased by 5%

Source: Ulster YTD September 30, 2021 roll-up report; Ulster YTD September 30, 2021 variance report.

***CMA Finding – Overtime Lines.** CMA found that many overtime lines in the County's budgets over the last several years needed budget amendments and/or had expenditures well above the original budgeted amounts. For example, in 2020, Public Health Administration overtime was budgeted at zero. That was amended to \$13,318 and \$13,284 was spent. In 2021, zero was budgeted again and then amended to \$8,800 and \$8,762 has been used through September 30, 2021. Despite these numbers, the 2022 Proposed Budget again budgets zero for this overtime line. CMA believes lines such as this one need to be adjusted in the 2022 Proposed Budget unless there are other factors that would indicate otherwise.*

In addition, CMA recommends that the overtime budget lines identified in Exhibit EXP-VI be evaluated and considered for adjustment in the 2022 Proposed Budget based on CMA-suggested amounts. Also, CMA recommends that the County review all the overtime lines to determine if there are any others that might require adjustments based on knowledge not readily attainable from a review of budget reports alone.

PURCHASE ORDERS AND ENCUMBRANCES

Use of Purchase Orders ("PO") and the encumbrances they create is an important budget monitoring and management tool. When a PO is created, the money needed to pay for the item or service being contracted for is encumbered (frozen) and thus can only be used for the purpose of the PO. Use of POs/encumbrances is a valuable tool to ensure budgets are adhered to and not overspent and that budgeted funds are spent on the items that the budget intended them to be spent for.

Service providers and professionals such as Cross Tracker state "by using the purchase order system for budget control you get full control by having a 'live' picture of how much is committed on a budget at any time. By having full control, the [County] are able to make better decisions and will identify possible budget overspending early." Procurement Express notes that "purchase orders are an important tool that businesses should use to ensure spending stays within budget...without purchase orders tracking expenses is more difficult." UCI Accounting and Financial Services at the University of California-Irvine explains "An encumbrance is a type of transaction created on the general ledger when a purchase order (PO)...is finalized...The purpose and main benefit of encumbrance accounting is avoiding budget overspending by showing open commitments as part of projected expenses. Encumbrances are important in determining how much funds are available as a projected expense planning tool."

Recently the GFOA recommended purchasing cards as an efficient alternative to purchase orders for smaller and high-volume purchases. In a 2020 Best Practice statement, GFOA explained "Purchasing Cards can be used whenever a purchase order, check request, or petty cash would have been processed." This best practice statement reinforces the importance of purchase orders and the purchase order/encumbrance process as an effective tool in the procurement and budget process.

Exhibit EXP-VII, below, illustrates that PO's may not be used as much or in as timely a manner as possible in the budget monitoring process by the County. The exhibit uses ten, selected budget lines of differing amounts from the County's August 31, 2021, year-to-date variance report to

illustrate that large portions of available funds are not yet dedicated for specific spending through PO's. These 10 budget lines contain \$878,973 of available funds of which only \$17,085 (1.94%) are encumbered for specifically dedicated spending. CMA has found that there are many lines containing available funds for which little or no funding has been encumbered through PO's.

Exhibit EXP-VII
Purchase Order and Encumbrance Use in Ulster 2021
(Year-to-Date, As of August 31, 2021)

Division	2021 Amount Budgeted	2021 Amount Encumbered	2021 Amount Used	% Available Funds Encumbered
Buildings and Grounds - Admin.	\$128,000	\$6,356	\$61,361	10.54%
Buildings and Grounds - Admin.	134,000	1,289	52,436	1.61
DPW - Quarry and Substations	259,900	1,502	139,968	1.27
Central Auto	206,150	270	82,705	0.22
Clerk-Administration	2,800	-0-	1,072	0.00
Recording	24,990	1,608	12,315	14.53
Recording	17,500	-0-	10,836	0.00
Purchasing	33,650	-0-	6,858	0.00
Purchasing	3,609	155	2,031	10.89
Road Machinery	<u>1,174,180</u>	<u>5,905</u>	<u>719,139</u>	<u>1.31</u>
TOTALS	\$1,984,779	\$17,085	\$1,088,721	1.94%

Source: Ulster County Budget Variance Report for Year-to-Date through August 31, 2021.

***CMA Finding – Purchase Orders.** The County should review its use of POs and encumbrances to ensure that budgeted funds are used for intended purposes and that budget lines are not overspent.*

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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-VIII
BASED ON 2019 DATA
Expenditure Benchmark Analysis – General Government Support**

County	Rank	2019 Per Capita Est. Spending
Orange	1	\$668
Westchester	2	584
Sullivan	3	390
Ulster	4	388
Dutchess	5	353
Rockland	6	264
Putnam	7	222

- (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 fourth highest expenditures of the Mid-Hudson counties for 2019, 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 2019 DATA
Expenditure Benchmark Analysis – Public Safety**

County	Rank	2019 Per Capita Est. Spending
Sullivan	1	\$401
Putnam	2	298
Westchester	3	234
Dutchess	4	222
Rockland	5	218
Orange	6	211
<i>Ulster</i>	7	193

- (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 2019, 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-X provides a per capita classification of public health expenditures for each of the Mid-Hudson counties.

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Exhibit EXP-X
BASED ON 2019 DATA
Expenditure Benchmark Analysis – Public Health

County	Rank	2019 Per Capita Est. Spending
Sullivan	1	\$418
Dutchess	2	212
Orange	3	211
Rockland	4	146
Putnam	5	95
<i>Ulster</i>	6	83
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 \$83 per capita, the County posted the 6th lowest expenditure of the Mid-Hudson counties for 2019, 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-XI provides a per capita classification of transportation expenditures for each of the Mid-Hudson counties.

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Exhibit EXP-XI
BASED ON 2019 DATA
Expenditure Benchmark Analysis – Transportation

County	Rank	2019 Per Capita Est. Spending
Sullivan	1	382
Westchester	2	312
Rockland	3	158
Putnam	4	148
Dutchess	5	142
<i>Ulster</i>	<i>6</i>	<i>132</i>
Orange	7	70

- (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 6th lowest among Mid-Hudson counties.

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

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**Exhibit EXP-XII
BASED ON 2019 DATA
Expenditure Benchmark Analysis – Cultural and Recreational**

County	Rank	2019 Per Capita Est. Spending
Westchester	1	\$91
<i>Ulster</i>	2	67
Putnam	3	62
Dutchess	4	33
Sullivan	5	31
Orange	6	24
Rockland	7	9

- (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 \$67 per capita, the County posted the 2nd highest expenditure of the Mid-Hudson counties for 2019, 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-XIII 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 2019 DATA
Expenditure Benchmark Analysis – Community Services**

County	Rank	2019 Per Capita Est. Spending
Putnam	1	\$63
Dutchess	2	44
Rockland	3	36
Orange	4	23
<i>Ulster</i>	5	22
Sullivan	6	13
Westchester	7	7

- (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 \$22 per capita, the County posted the 5th highest expenditure of the Mid-Hudson counties for 2019, 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.

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 recurring 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 significantly impact key revenue sources. In addition, the recently settled CSEA contract will significantly impact the 2022 budget. Nevertheless, 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 2022. Doing so will greatly assist the County in its ability to reduce the risk of developing long-term structurally imbalanced finances.

SECTION VI

BUDGETARY VARIANCES

BUDGETARY VARIANCE TRENDS - GENERAL REVENUES

For the purpose of the Review, a five-year analysis was conducted on revenues in the County's Governmental Funds. The findings of the variance analysis are provided in Exhibit BV-I.

Exhibit BV-I Trend of Revenue Variance Analysis

Revenue	2016	2017	2018	2019	2020
Taxes					
Property	\$(934,618)	\$(915,959)	\$(618,584)	\$(3,441,317)	\$(3,541,504)
Other RP Tax Items	163,264	(642,276)	(75,366)	(361,138)	(477,820)
Sales	2,133,233	3,142,582	2,314,751	2,280,821	(1,290,240)
Occupancy	144,744	180,160	380,747	332,436	(493,542)
Off Track Betting	8,559	10,709	(52,854)		0
E-911 Telephone Surchage	43,688	(1,270)	(40,041)	(20,946)	(28,683)
Automobile Use Tax	(88,136)	(44,568)	(50,320)	(28,185)	(36,892)
State Aid	5,053,504	(3,314,298)	2,171,918	(3,303,804)	(6,690,863)
Federal Aid	(6,354,250)	(2,714,190)	(4,176,009)	(3,966,997)	(567,233)
Departmental Income	(316,044)	1,028,437	296,399	(694,979)	(303,240)
Intergovernmental	261,458	486,161	1,506,243	(1,055,108)	424,900
Use of Money & Property	94,327	240,267	214,973	305,214	(590,733)
Licenses & Permits	424,267	584	(6,281)	167	15,052
Fines & Forfeitures	(27,883)	(73,354)	(49,719)	(73,561)	(194,987)
Sale of Property	1,804,734	(617,501)	610,123	623,153	1,775,775
Miscellaneous	534,077	1,081,711	182,131	985,633	376,744
Interfund Revenue	(1,739,265)	(650,563)	(628,365)	(123,542)	(468,108)
TOTALS	\$1,205,659	\$(2,803,368)	\$1,979,746	\$(8,542,153)	\$(12,091,374)

Source: The audited financial statements of the County.

***CMA Finding – Revenue Variance Analysis.** The findings for revenue variance analysis suggest that several sources of revenue in the governmental funds are historically underbudgeted. For each of the fiscal years ended December 31, 2016 through 2020, the sum of variances reported for revenues excluding transfers, were positive by \$1.2 million, negative by \$2.8 million, positive by \$2.0 million, negative by \$8.5 million and negative by \$12.1 million, respectively. In the two most recent years, 2019 and 2020, the total negative variance for revenues increased significantly.*

BUDGETARY VARIANCE TRENDS - 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 expenditures in the County's Governmental Funds. The findings of the variance analysis are provided in Exhibit BV-II.

Exhibit BV-II Expenditure Variance Analysis

Expenditure	2016	2017	2018	2019	2020
General Government	\$ 4,755,471	\$ 4,493,359	\$4,442,526	\$5,672,878	\$6,768,472
Education	205,669	67,980	3,350	17,548	226,313
Public Safety	2,051,728	2,634,231	2,423,497	1,753,001	4,196,055
Public Health	2,008,381	2,264,091	1,523,694	1,186,434	3,808,822
Transportation	3,667,902	2,681,818	1,754,399	1,808,223	4,709,351
Economic Assistance	8,505,706	8,628,320	2,256,182	2,465,853	17,153,684
Cultural & Recreation	114,052	139,340	134,293	127,932	295,435
Home & Community	1,956,107	1,106,348	1,409,873	2,514,421	1,511,906
Employee Benefits	246,242	99,090	1,403,092	49,169	55,661
Debt Service	217,063	3,254	1,160	392,373	199,132
TOTALS	\$23,728,321	\$22,117,831	\$15,352,066	\$15,987,832	\$38,924,831

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, 2016 through 2020, inclusive, the sum of variances reported for expenditures, excluding transfers, were positive by \$23.7 million, \$22.1 million, \$15.4 million, \$15.9 million and \$38.9 million, respectively. Although a small annual variance would be appropriate, the disproportionate positive expenditure variances are suggestive of excessive slack in the budget.

YEAR-TO-DATE REVENUES AND EXPENDITURE VARIANCES

Throughout the fiscal year, the County can and should monitor year-to-date revenue realized and spending in order to determine if actual performance matches budgeted amounts. These numbers are contained in variance reports that are available to County management. If analysis of these reports indicates that revenues and expenditures are deviating from budgeted amounts, then actions should be taken to reduce any negative gaps between revenues realized at any particular point in

time and spending at that same point in time. Actions such as appropriating unrestricted surplus or implementing spending freezes or cutbacks can be used to close gaps.

One benchmark to use in evaluating year to date budget performance is where you are in the budget year. For instance, September 30th represents three quarters or 75% of the budget year.

CMA reviewed variances through September 30, 2021. The findings of the variance analysis are provided in Exhibit BV-III.

Exhibit BV-III
Year-to-Date Variance Analysis (As of September 30, 2021)
By Standing Committee

Standing Committee	Revenue % Realized	Expenditure % Realized
Public Works	60.3%	53.6%
Law Enforcement	29.1	55.0
Ways and Means	76.7	48.5
Public Health	48.6	52.8
Economic Development	48.3	52.0
Laws and Rules	132.3	44.0
Legislative Programs, Education, Community Service	38.9	65.9
Environment	24.0	37.9
Overall Year-to-Date	64.5%	53.5%

Source: 2021 Ulster County Variance report through September 30, 2021.

***CMA Finding – Revenues Realized and Spending Below 75% of Budget.** Revenue and expenditures through the end of September 2021 were 64.5% and 53.2% of budget (Exhibit BV-III). Both numbers are below the 75% threshold, however revenue is greater than expenses which is a positive.*

The County should carefully monitor revenue and expenditures moving forward. Although revenues are higher than expenditures through September 30, the County still has to pay close to 90% of its debt service on long term obligations. The revenue for these \$11.6 million in debt payments are already accounted for in the year-to-date revenue amount but not in the expenditure amount. If the County finishes the year with expenditures higher revenues, then fund balance will be reduced and the projected fund balance reported in the 2022 Proposed Budget will be less than stated.

SECTION VII

FUND BALANCE

FUND BALANCE BEST PRACTICES

The Government Finance Officers Association (“GFOA”) has very lengthy guidelines and best practices relative to fund balance in the General Fund. As a minimum, the GFOA best practice recommends municipal jurisdictions “regardless of size, maintain an unrestricted budgetary fund balance in their General Fund which consists of no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures.” Furthermore, the best practice indicates a government’s particular situation often may require a level of unrestricted fund balance in the General Fund significantly in excess of this recommended minimum level.”

GFOA guidelines are very demanding with respect to fund balance and the need for very ample fund balance levels as a tenant of strong municipal financial management.

Prior Recommendation. CMA’s analysis of the County’s 2021 budget found that the County’s Fund Balance Policy had last been revised in 2013 and needed to be re-evaluated to address the budgetary appropriation of fund balance during challenging economic times, such as the impact of the COVID-19 pandemic. CMA opined that 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, fund balance policy adjustments can be utilized to outline what the County determines to be the most strategic method for accumulation of fund balance, the correct level of fund balance, and the timing and proper time for utilizing and replenishing fund balance.

Action Taken. The County did adopt a revised Fund Balance Policy in the Legislature’s Ways and Means Committee on September 14, 2021. The revised policy states “NYS law provides for the carryover of reasonable amounts of fund balance from one year to the next. Reasonable amount determinations include factors such as providing adequate cash flow to cover one month of expenditures thereby providing the liquidity necessary to accommodate the County’s uneven cash flow which is inherent in its periodic tax collection as well as reliance on federal and state aid reimbursements. The generally accepted operating unassigned fund balance is 5%-10% of current General Fund operating expenditures. The County will strive to maintain an unassigned fund balance in this range at all times...Any unassigned fund balance above or below the minimum should be remedied within the succeeding year.”

State and Federal Aid. CMA’s current review of the 2022 Proposed Budget concluded that the County is greatly dependent on State and Federal Aid which are not reliable revenue sources in uncertain times. Pandemics, climate change induced severe weather damage, and political actions in Albany and Washington that impact aid all contribute to the uncertainty from budget year to budget year. Historically, the County relies on State and Federal aid for between 25% and 30% of its total revenues.

Exhibit FB-I provide a summary of the County’s reliance on State and Federal aid.

Exhibit FB-I
County General Fund Reliance on State and Federal Aid (2016-2020)

Year	Expenditures	State & Federal Aid	% Aid To Expenditures
2016	\$270,341,508	\$82,388,735	30.48%
2017	271,329,296	74,227,723	27.36
2018	273,619,065	75,839,192	27.72
2019	284,243,168	74,516,551	26.22
2020	268,731,808	77,792,711	28.95

Source: The Office of the New York State Comptroller.

This uncertainty must be considered in any discussion of proper fund balance levels as the GOFA explains in their guidance as follows: “The adequacy of unrestricted fund balance in the general fund should take into account each government’s own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance.”

GFOA Two Month Expenditure Analysis. As noted, as a best practice, the GFOA recommends, at a minimum, no less than two months of regular General Fund operating revenues or regular General Fund operating expenditures. Using the 2022 Proposed Budget’s General Fund, this number would equal 2/12th of \$303,183,925, or approximately \$50.5 million.

The County’s own projected year end 2021 General Fund balance is \$56,337,431. Over the five most recent completed fiscal years, the unrestricted amount of fund balance in the General Fund equaled 76.77% of total fund balance. Assuming 76.77% of the projected 2021 General Fund fund balance is unrestricted, the unrestricted fund balance may be well below the \$50.5 million necessary to satisfy the GFOA best practice.

***CMA Finding – Revised Fund Balance Policy Not Enough** – Based on GFOA best practice guidelines that a municipality should maintain an unrestricted fund balance in their General Fund that is, at a minimum, equal to two months of regular operating expenditures; and because of the (1) continued uncertainty surrounding the COVID pandemic and related costs; (2) the impact of climate change on severe weather that causes costly public and private property damage; and (3) the heavy reliance by the County on uncertain State and Federal aid (see “Exhibit FB-1”), the need for more conservative fund balance guidelines that ensure ample reserves and maximum liquidity is needed. The County’s own projected year-end 2021 General Fund balance of \$56,337,431 (with a CMA projected unrestricted amount equal to 76.77% of the total fund balance) will be below the minimum that would satisfy the GFOA best practice policy.*

2022 APPROPRIATED FUND BALANCE

As noted in the 2022 Proposed Budget message, the budget was balanced with the use of \$4,714,738 in fund balance and \$574,084 in reserves. Combined, the 2022 Proposed Budget includes the appropriation of \$5,288,822 in fund balance and reserves.

Exhibit FB-II provide a tabular summary appropriated fund balance and reserves in the Proposed 2022 Budget.

Exhibit FB-II
2022 Proposed Budget Appropriations of Fund Balance and Reserves (Table)

APPROPRIATED FUND BALANCE		
County Fund	Purpose	2022 Appropriated Amount
General Fund	Current Year Budget	\$ 4,714,738
Road Machinery Fund	Current Year Budget	-0-
County Road Fund	Current Year Budget	-0-
Debt Service Fund	Current Year Budget	-0-
TOTAL FUND BALANCE APPROPRIATIONS		\$4,714,738
APPROPRIATED RESERVES		
County Fund	Purpose	2022 Appropriated Amount
General Fund	Reserves E-911 Surcharges	\$ 375,000
General Fund	Reserves Probation V&T Fees	149,084
General Fund	Reserves Environmental Reserve	50,000
TOTAL RESERVE APPROPRIATIONS		\$ 574,084

Source: The 2022 Proposed Budget.

***CMA Recommendation – Reduction of the 2022 Proposed Appropriated Surplus.** Assuming the County's 2021 year-end projection for fund balance in the General Fund is accurate, by appropriating \$4,714,738 fund balance as called for in the 2022 Proposed Budget, the County's General Fund balance could possibly dip below the GFOA best practice minimum standard. Applying the General Fund budgeted expenditure amount in the 2022 Proposed Budget of \$303,183,925 the County should be attempting to attain an unrestricted General Fund balance of \$50.5 million for the close of fiscal year 2022. CMA therefore recommends that the County consider using less appropriated fund balance from the General Fund in the 2022 Proposed Budget.*

GENERAL FUND TRENDS

General Fund - Historic Trend of Fund Balance Composition. During the fiscal years December 31, 2016 to 2020, *total* fund balance in the County's General Fund had been relatively stable with a slight decline in 2019 followed by a significant increase in 2020. Unassigned fund balance, which is considered to be the most liquid form of fund balance, increased in 2016 though 2018, decreased abruptly in 2019 and increased substantially in 2020.

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, inclusive.

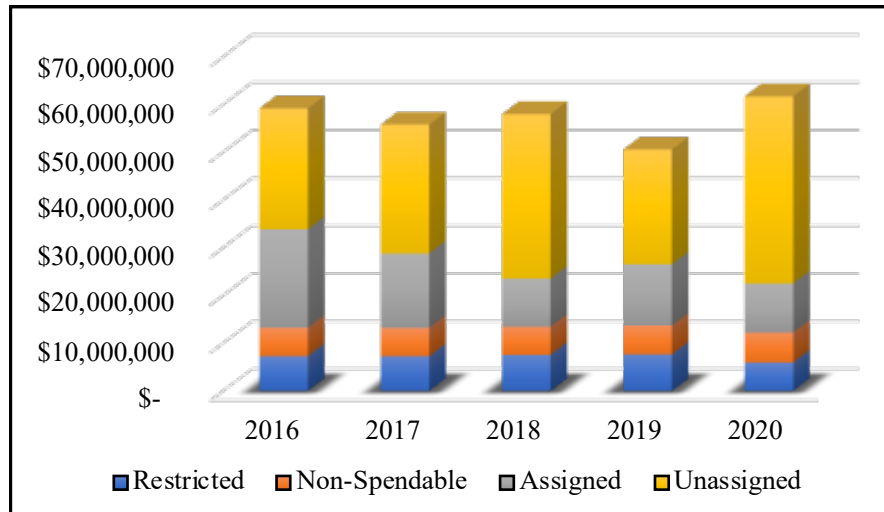
Exhibit FB-III
General Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2016 to 2020 (Unaudited)

GENERAL FUND					
Fiscal Year Ending December 31:	2016	2017	2018	2019	2020
Fund Equity:					
Restricted ⁽¹⁾	\$7,296,312	\$7,271,880	\$7,558,995	\$7,638,388	\$5,960,979
Non-Spendable ⁽²⁾	5,941,493	5,942,611	5,910,604	6,051,109	6,274,068
Assigned ⁽³⁾	20,652,141	15,584,890	10,066,374	12,819,744	10,291,186
Unassigned ⁽⁴⁾	<u>25,284,623</u>	<u>27,001,859</u>	<u>34,454,035</u>	<u>24,053,917</u>	<u>39,168,114</u>
TOTALS	\$59,174,569	\$55,801,240	\$57,990,008	\$50,563,158	\$61,694,347

- (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, 2016 to 2020 (Unaudited)



Source: The Office of the New York State Comptroller.

General Fund - Budgetary Appropriation of Fund Balance. During the fiscal years December 31, 2017 to 2022, inclusive, the appropriation of fund balance in the annual budget decreased significantly from approximately \$15.3 million to \$4.7 million. However, the amount of budgeted reserves increased substantially from \$0.2 million in 2016 to \$0.6 million in 2022, an increase of 166.5%.

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 2017 to 2021 and as proposed for the 2022 fiscal year.

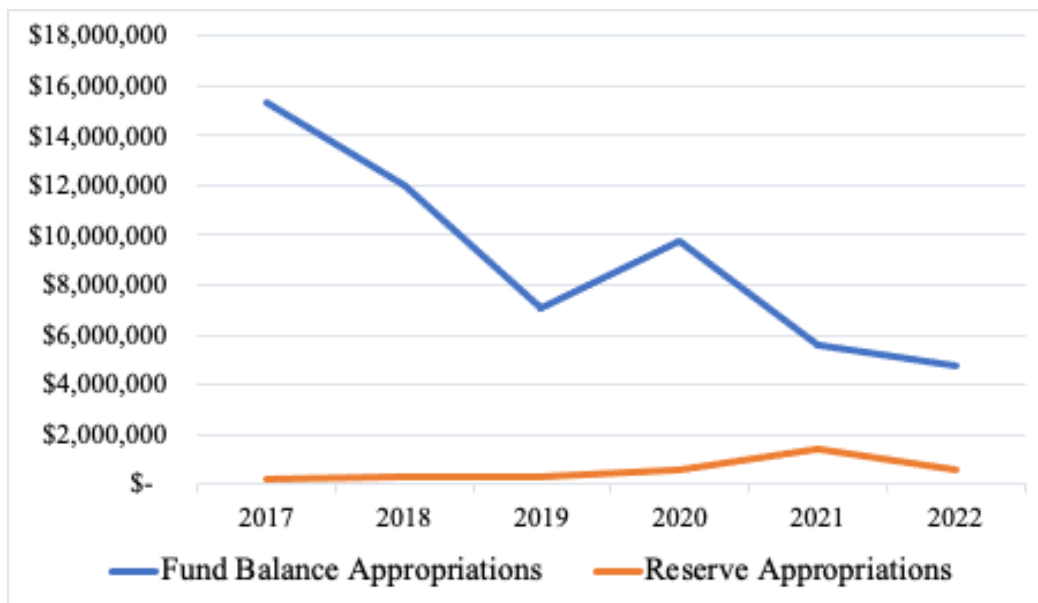
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Exhibit FB-V
Budgetary Appropriation of Fund Balance and Reserves - Table
Fiscal Years Ended December 31, 2017 to 2022

GENERAL FUND			
Year Ending December 31:	Fund Balance Appropriation	Reserve Appropriation	TOTAL (Fund Balance & Reserves)
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 (Adopted)	5,605,782	1,458,185	7,063,967
2022 (Proposed)	4,714,738	574,084	5,288,822

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, 2017 to 2022 (Unaudited)



Source: The adopted and proposed budgets of the County.

COMMUNITY DEVELOPMENT TRENDS

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, 2016 to 2020, inclusive, fund balance in the County's Community Development Fund increased by approximately 154.5%, from \$127,469 to \$324,437.

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, 2016 through 2020, inclusive.

Exhibit FB-VII
Community Development Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2016 to 2020 (Unaudited)

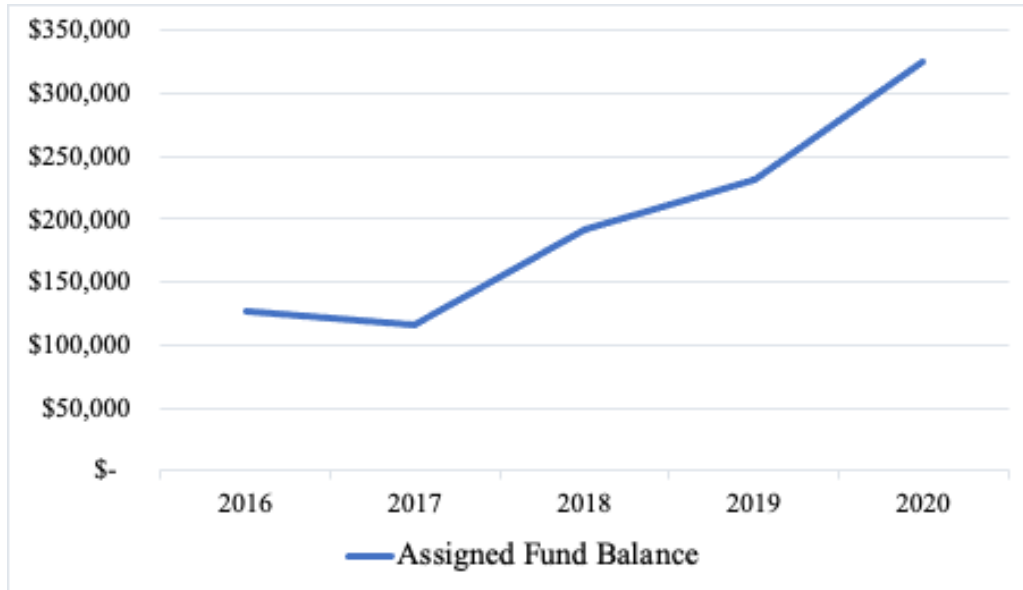
COMMUNITY DEVELOPMENT FUND					
Fiscal Year Ending December 31:	2016	2017	2018	2019	2020
Fund Equity:					
Assigned	<u>\$127,469</u>	<u>\$115,573</u>	<u>\$191,099</u>	<u>\$231,794</u>	<u>\$324,437</u>
TOTALS	\$127,469	\$115,573	\$191,099	\$231,794	\$324,437

- (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-VIII
COMMUNITY DEVELOPMENT FUND
Composition of Fund Balance – Chart
Fiscal Years Ended December 31, 2017 to 2021 (Unaudited)



Source: The Office of the New York State Comptroller.

Community Development Fund - Budgetary Appropriation of Fund Balance. During the fiscal years December 31, 2017 to 2022, 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, 2016 to 2020, 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, 2016 through 2020, inclusive.

Exhibit FB-IX
County Road Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2016 to 2020 (Unaudited)

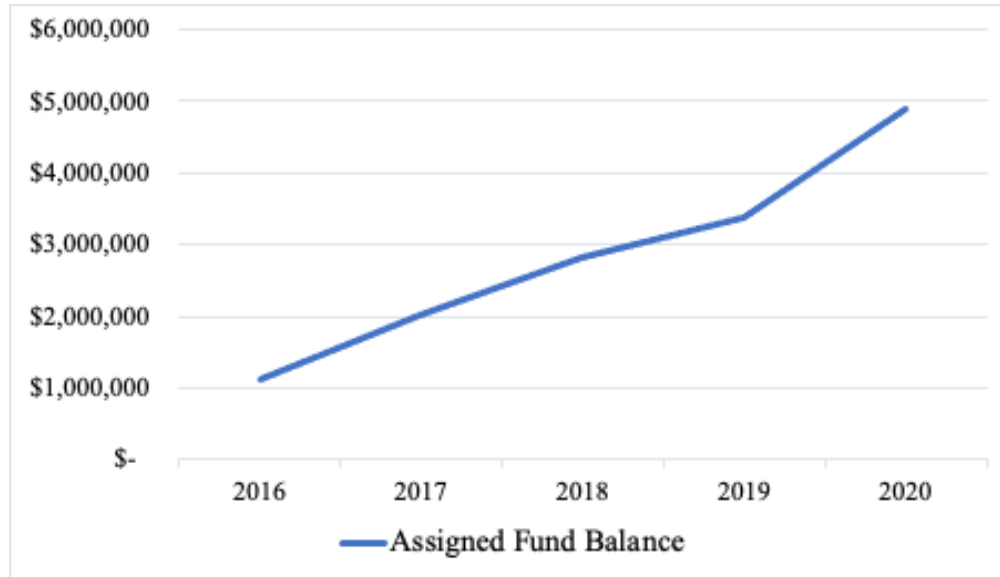
COUNTY ROAD FUND					
Fiscal Year Ending December 31:	2016	2017	2018	2019	2020
Fund Equity:					
Assigned ⁽¹⁾	<u>\$1,124,658</u>	<u>\$2,031,459</u>	<u>\$2,824,502</u>	<u>\$3,371,969</u>	<u>\$4,882,430</u>
TOTALS	\$1,124,658	\$2,031,459	\$2,824,502	\$3,371,969	\$4,882,430

- (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, 2016 to 2020 (Unaudited)



Source: The Office of the New York State Comptroller.

County Road Fund - Budgetary Appropriation of Fund Balance. During the fiscal years December 31, 2017 to 2022, inclusive, 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). However, the 2022 Proposed Budget did not include an appropriation of fund balance in the County Road Fund.

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 2017 to 2021 and as proposed for the 2022 fiscal year.

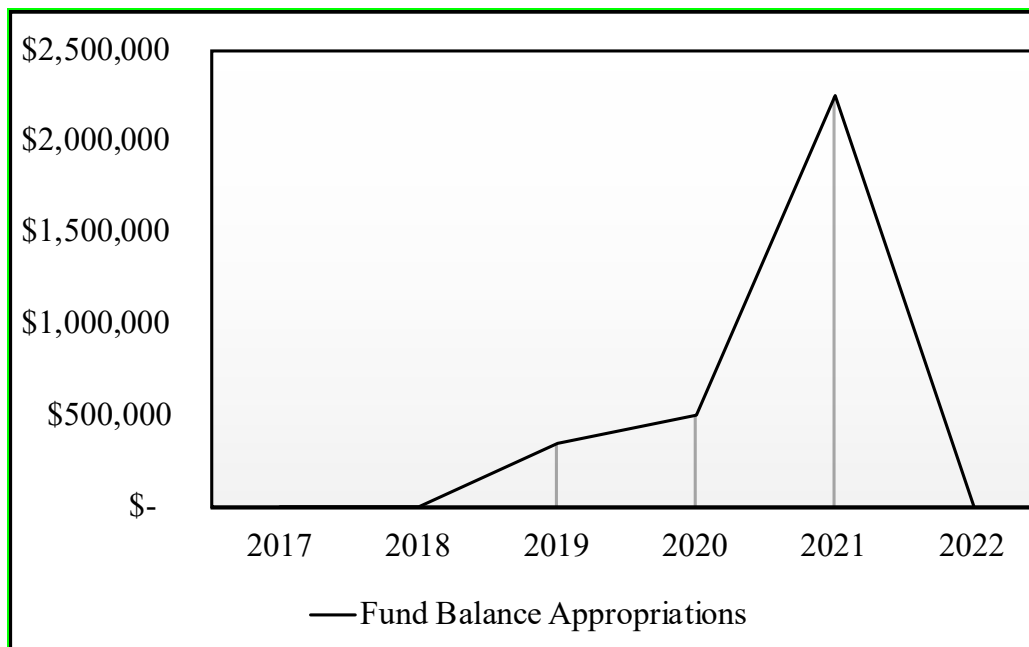
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Exhibit FB-XI
Budgetary Appropriation of Fund Balance - Table
Fiscal Years December 31, 2017 to 2022

COUNTY ROAD FUND	
Year Ending December 31:	Fund Balance Budget Appropriation
2017 (Adopted)	\$ -0-
2018 (Adopted)	-0-
2019 (Adopted)	350,000
2020 (Adopted)	504,864
2021 (Adopted)	2,250,000
2022 (Proposed)	-0-

Source: The adopted and proposed budgets of the County.

Exhibit FB-XII
COUNTY ROAD FUND
Budgetary Appropriation of Fund Balance - Chart
Fiscal Years December 31, 2017 to 2022



Source: The adopted and proposed budgets of the County.

ROAD MACHINERY FUND

Road Machinery Fund - Historic Trend of Fund Balance. Fund balance in the Road Machinery Fund decreased between fiscal 2016 and 2019 but then slightly increased in 2020. 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, 2020, the fund balance was approximately \$3.3 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, 2016 through 2020.

Exhibit FB-XIII
Road Machinery Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2016 to 2020 (Unaudited)

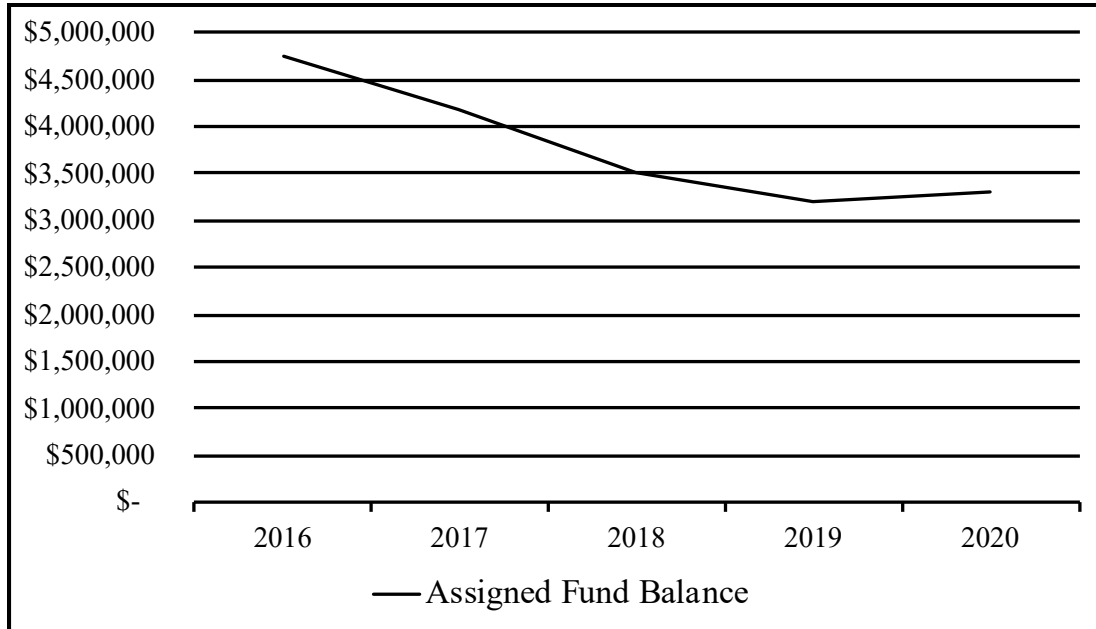
ROAD MACHINERY FUND					
Fiscal Year Ending December 31:	2016	2017	2018	2019	2020
Fund Equity:					
Assigned ⁽¹⁾	\$4,747,888	\$4,177,236	\$3,509,764	\$3,205,538	\$3,291,206
TOTALS	\$4,747,888	\$4,177,236	\$3,509,764	\$3,205,538	\$3,291,206

- (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-XIV
ROAD MACHINERY FUND
Composition of Fund Balance – Chart
Fiscal Years Ended December 31, 2016 to 2020 (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 2022, the appropriation of fund balance varied greatly. The 2022 proposed Budget did not include an appropriation in the Road Machinery Fund.

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 2017 to 2021, inclusive, and as proposed for the 2022 fiscal year.

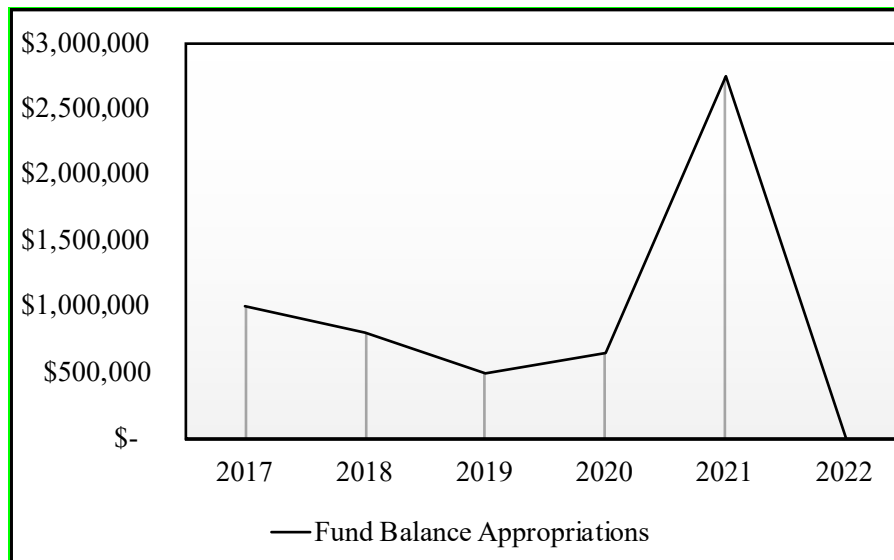
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Exhibit FB-XV
Budgetary Appropriation of Fund Balance - Table
Fiscal Years December 31, 2017 to 2022

ROAD MACHINERY FUND	
Year Ending December 31:	Fund Balance Budget Appropriation
2017 (Adopted)	\$1,000,000
2018 (Adopted)	800,000
2019 (Adopted)	500,000
2020 (Adopted)	650,000
2021 (Adopted)	2,750,000
2022 (Proposed)	-0-

Source: The adopted and proposed budgets of the County.

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



Source: The adopted and proposed budgets of the County.

DEBT SERVICE FUND

Debt Service Fund - Historic Trend of Fund Balance. Fund balance in the Debt Service Fund as of December 31, 2020 was reported as \$3.2 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, 2016 through 2020.

Exhibit FB-XVII
Debt Service Fund Composition of Fund Balance – Table
Fiscal Years Ended December 31, 2016 to 2020 (Unaudited)

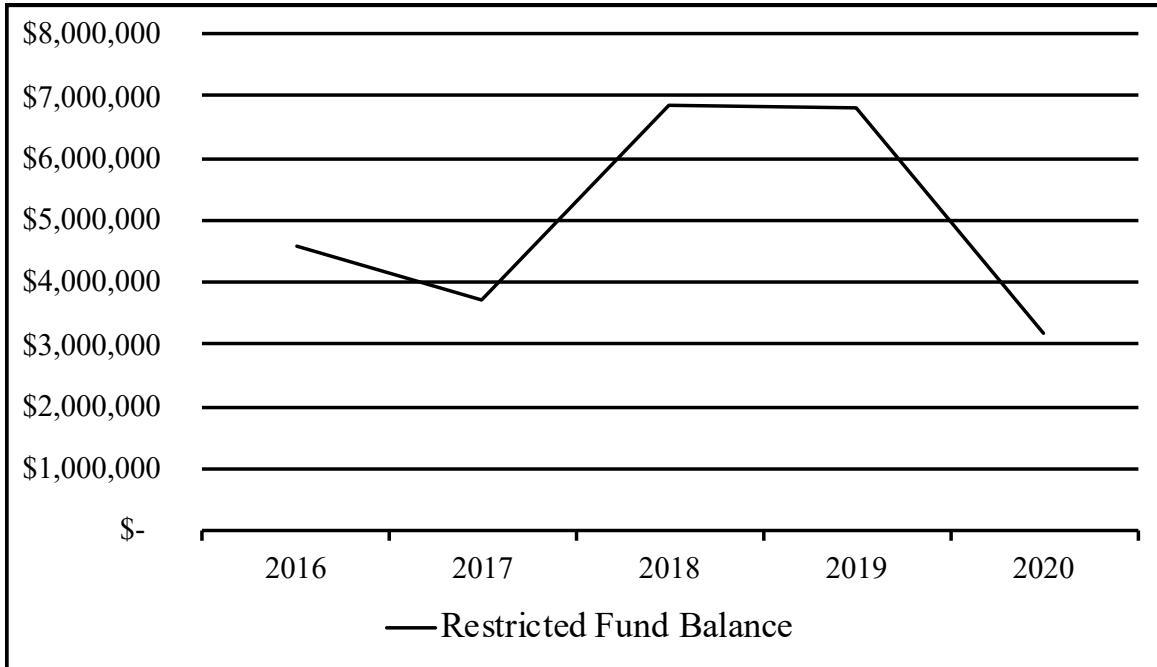
DEBT SERVICE FUND					
Fiscal Year Ending December 31:	2016	2017	2018	2019	2020
Fund Equity:					
Restricted ⁽¹⁾	<u>\$4,573,883</u>	<u>\$3,732,708</u>	<u>\$6,864,652</u>	<u>\$6,801,448</u>	<u>\$3,182,748</u>
TOTALS	\$4,573,883	\$3,732,708	\$6,864,652	\$6,801,448	\$3,182,748

(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, 2016 to 2020 (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 2022, inclusive, the appropriation of fund balance in the annual budgets for the Debt Service Fund varied. For the Proposed 2022 Budget there was no appropriation of fund balance in the Debt Service Fund.

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 2017 to 2021 and as proposed for the 2022 fiscal year.

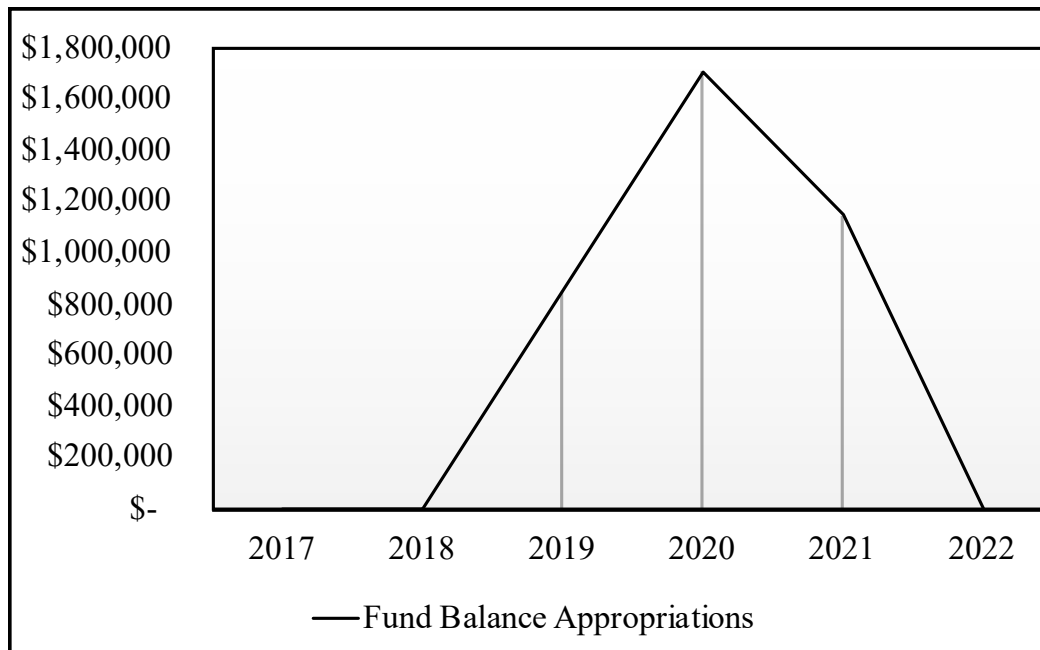
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Exhibit FB-XIX
Budgetary Appropriation of Fund Balance - Table
Fiscal Years December 31, 2017 to 2022

DEBT SERVICE FUND	
Year Ending December 31:	Fund Balance Budget Appropriation
2017 (Adopted)	\$ -0-
2018 (Adopted)	-0-
2019 (Adopted)	850,000
2020 (Adopted)	1,708,901
2021 (Adopted)	1,150,000
2022 (Proposed)	-0-

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, 2017 to 2022



Source: The adopted and proposed budgets of the County.

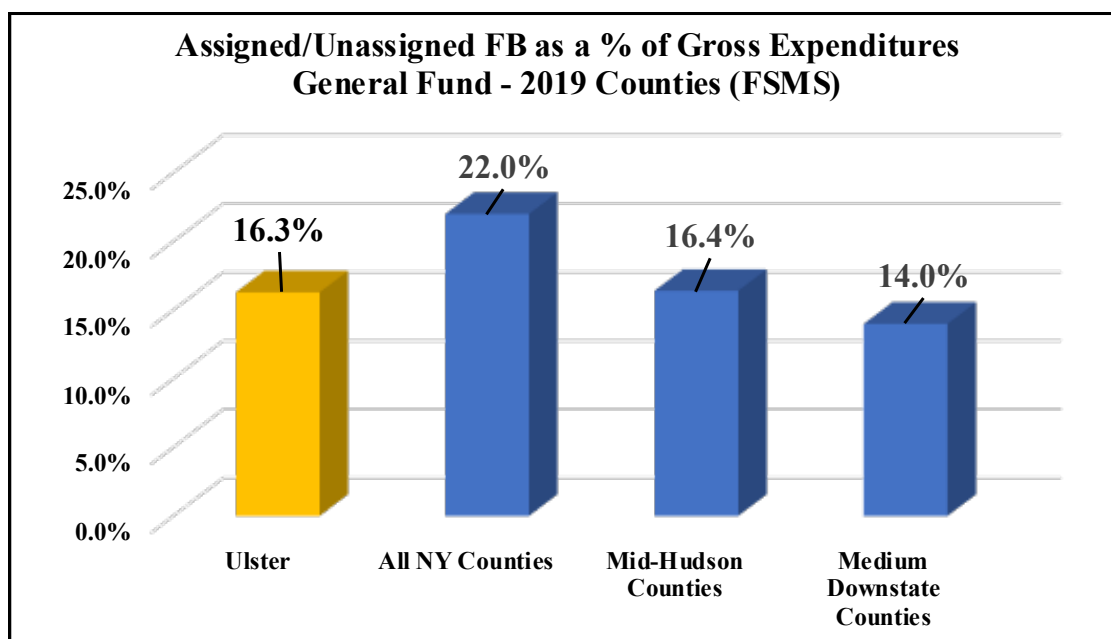
FUND BALANCE PEER (BENCHMARK) COMPARISON

FSMS – Statewide 2020 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 2021. The scores were based on 2020 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:

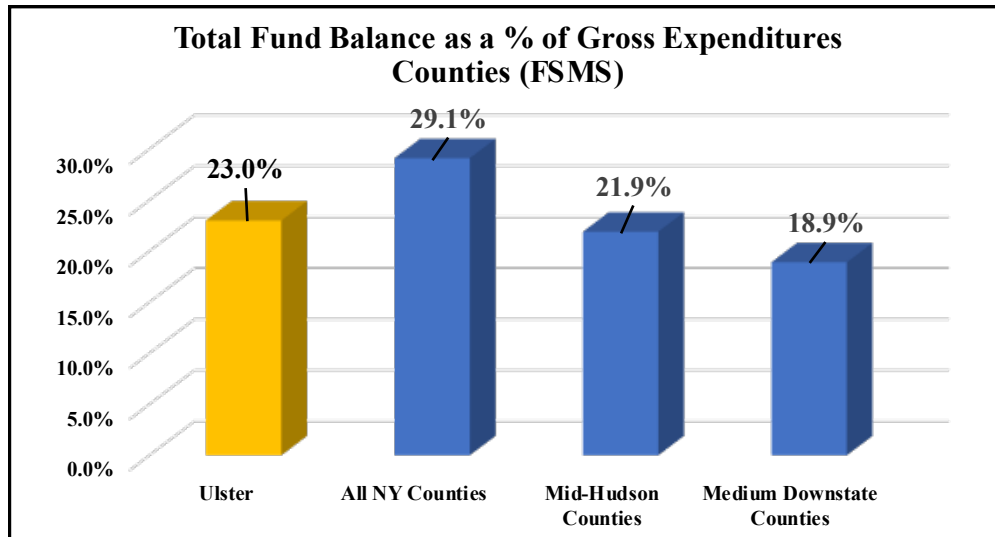
<http://wwel.osc.state.ny.us/localgov/fiscalmonitoring/fsms.cfm>

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
Fund Balance Ratios



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 (2020) 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.*

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SECTION VIII

SUMMARY OF DEBT AND CAPITAL IMPROVEMENT PLAN

DEBT OVERVIEW

The issuance of debt is an important revenue source for many County projects and purchases. Equally important is the strategic use of the power to issue debt which is why municipal jurisdictions must adhere to legally adopted debt contracting limits and various other State and Federal laws which set parameters on debt issuance.

In CMA's prior report in 2020, the County's outstanding debt, as of September 16, 2020, represented approximately 9.11% of the County's debt contracting limit. Although well within the contracting limitation, the amount of debt and associated annual debt service payments make debt and debt service relevant and important items to consider during the budget process. According to the 2022 Proposed Budget, annual debt services correlating to long-term debt was estimated at approximately \$12.6 million, while payments to short-term obligations were estimated at an additional \$1.3 million. In the 2022 Proposed Budget, the total of long-term bond debt, short-term note debt and the authorized but unissued debt, is \$255,161,951. Exhibit DB-I below summarizes this information below.

Exhibit DB-I
Summary of Obligated and Non-Obligated Debt

	Financial Status	Source: 2022 Proposed Budget
Bond Anticipation Notes	Obligated ⁽²⁾	\$ 19,290,400
Bonds	Obligated ⁽²⁾	128,050,804
Authorized but Unissued Debt	Not Obligated	72,820,747
Revenue Anticipation Note Authorization	Not Obligated	15,000,000
Revenue Anticipation Note Authorization	Not Obligated	<u>20,000,000</u>
TOTAL		<u>\$255,161,951</u>

(1) Calculation as of October 25, 2021.

(2) Obligated or in process of being obligated.

Source: The 2022 Proposed Budget.

***CMA Finding – Debt Management Policy.** In the 2022 Proposed Budget, the sum total of long-term bond debt, short-term note debt and the authorized but unissued debt, is \$255,161,951. The amount of debt outstanding is considered manageable and not excessive. Nevertheless, County*

officials indicated the County lacks 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. The magnitude of debt and potential debt obligations should be managed and controlled within the context of the budget process. In addition, this reflects a prior recommendation by CMA during its review of the 2021 Proposed Budget.

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 County's 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-II sets forth the debt-contracting limitation of the County as of October 25, 2021.

County Tax Roll	Taxable Assessed Valuation	Equalization Rate ⁽¹⁾	Full Valuation ⁽²⁾
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
2021	17,545,534,302	84.80	<u>20,690,583,865</u>
Total 5-Year Full Valuation			\$95,056,797,448
Average 5-Year Valuation			\$19,011,359,490
Debt Contracting Limit (7% of 5-Year Average)			\$ 1,330,795,164

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

(2) Full valuation may differ slightly due to rounding.

Source: The Municipal Rule Making Board's Electronic Municipal Market Access Website (Official Statement of the County, Dated October 25, 2021).

OUTSTANDING INDEBTEDNESS

Exhibit DB-III sets forth a more detailed summary of the County's outstanding debt obligations, including allowable debt exclusions, as of October 25, 2021.

Exhibit DB-III Debt Contracting Limit - As of October 25, 2021 ⁽¹⁾⁽³⁾

	Amount Outstanding
Gross Indebtedness:	
Serial Bonds	\$ 122,768,654
Bond Anticipation Notes	19,290,400
Tax or Revenue Anticipation Notes	-0-
Total Gross Indebtedness:	\$142,059,054
Excludable Debt:	
Water Debt ⁽²⁾	\$ -0-
Sewer Debt ⁽¹⁾	-0-
Refunded Bonds	29,135,000
Budgetary Appropriations	10,018,654
Total Debt Exclusions	\$ 39,153,654
Total Net Indebtedness ⁽¹⁾⁽³⁾	\$102,905,400

(1) Excludes lease obligations.

(2) Excludable pursuant to State law.

(3) As of the date of the review of the 2022 Proposed Budget, the County was in the process of issuing debt obligations. Such obligations are anticipated to increase the net indebtedness of the County by approximately \$20.8 million.

Source: The Municipal Rule Making Board's Electronic Municipal Market Access Website (Official Statement of the County, Dated October 25, 2021).

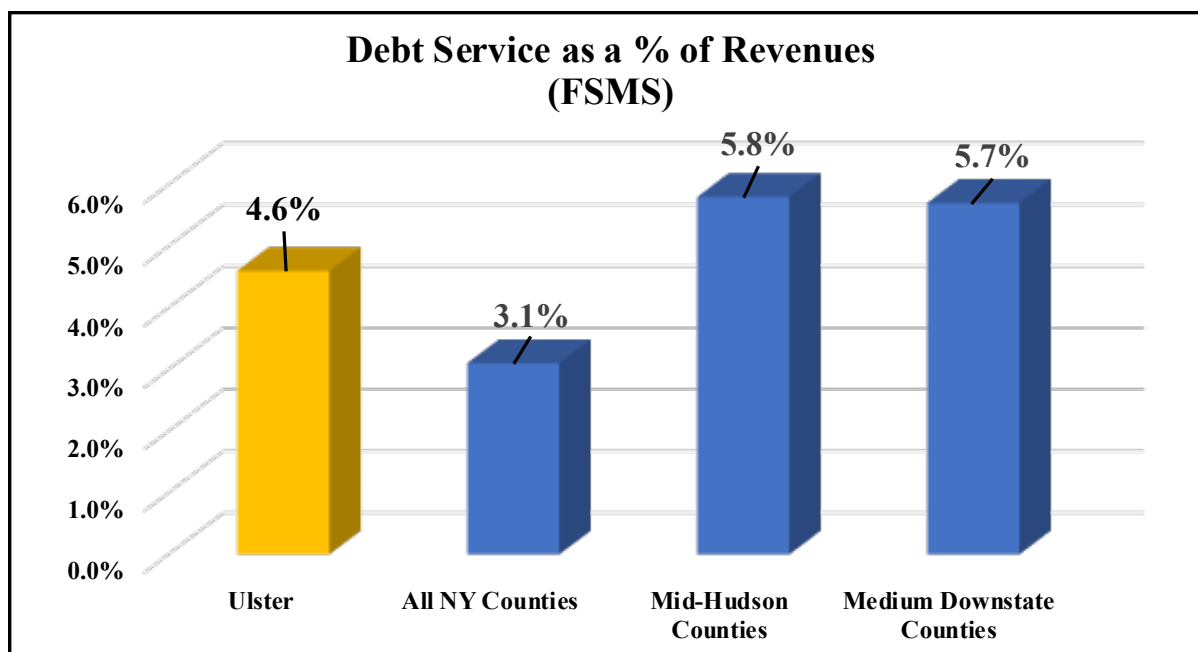
INDEBTEDNESS PEER BENCHMARK COMPARISON

FSMS – Statewide 2020 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 2021. The scores were based on 2020 operating results and marked the sixth 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://www1.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 a 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 them 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 2021, the amounts authorized for tax anticipation notes and revenue anticipation notes were \$20.0 million and \$15.0 million. The County presently anticipates that resolutions for similar amounts will be presented to the Legislature for consideration in connection with the 2022 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 October 25, 2021, the County had \$19,290,400 in outstanding bond anticipation notes.

***CMA Finding – Bond Anticipation Notes Maturing in November / September Refunding Bonds.** The 2022 Proposed Budget indicated the outstanding bond anticipation notes of the County are scheduled to mature in November of 2021. As of the date of the review of the 2022 Proposed Budget, the County was in the process of issuing debt obligations, including both long-term serial bonds and short-term bond anticipation notes. After certain payments, a portion of the currently outstanding notes will be converted into long-term serial bonds, while the remaining portion will be renewed. The tentative sale date for the issuance is November 4, 2021 with tentative closings scheduled for November 17, 2021. 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 2021.*

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FUTURE LONG-TERM BONDED DEBT SERVICE PAYMENTS

Exhibit DB-IV provides a summary of the County's currently outstanding long-term bonded debt service payments.

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

Fiscal Year	Bonded Debt Service (Principal + Interest) ⁽²⁾
2021	\$ 11,986,261
2022	12,240,463
2023	11,741,950
2024	11,497,138
2025	9,133,288
2026	8,894,875
2027	8,774,863
2028	8,184,263
2029	6,617,519
2030	3,826,869
2031	3,830,606
2032	2,891,331
2033	2,891,069
2034	2,299,075
2035	1,594,275
2036	1,592,400
2037	1,597,763
TOTAL	\$109,594,008

(1) Excludes lease obligations.

(2) Excludes the effect of bonds anticipated to be issued by the County in November of 2020.

Source: The Municipal Rule Making Board's Electronic Municipal Market Access Website (Official Statement of the County, Dated October 25, 2021).

AUTHORIZED BUT UNISSUED DEBT

The proposed budget of the County includes authorized but unissued debt in the amount of approximately \$49.7 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. CMA noted that the County has authorized but unissued debt dating back to 2010, 2014, 2015 and 2016.

CMA Finding – Authorized but Unissued Debt.

To add further transparency to the budget document, CMA recommends an estimate of future borrowing related to actual spending should be included with the capital information and in the chart for Debt Authorized and Unused and to make the Capital Improvement Plan more informative and useful. In addition, with or without a debt management policy, authorizations should be sunset after a specified period of time if not used or anticipated not to be used. In addition, the County should periodically review unused authorizations to determine if purposes or needs for borrowing still exist. If the need for an authorization no longer exists then the authorization should be considered for cancellation, by resolution if appropriate. This would ensure that capital and borrowing needs for authorized items that are many years old and stale are scrutinized and continuously evaluated and that only viable projects and items remain authorized and qualified for borrowing purposes.

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 – 2022 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 separate, the Proposed 2022 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 2022 through 2027, inclusive, totals \$312.2 million, of which \$68.2 million is for general governmental purposes, \$54.9 million is for educational purposes, \$25.0 million is for home and community services purposes, \$15.2 million is for public safety purposes, \$126.8 million is for transportation purposes, \$3.5 million is for health and \$18.5 million is for recreational, economic development and planning purposes.

A summary of the County's Proposed Capital Improvement Program for the years 2022 through 2027 is presented below.

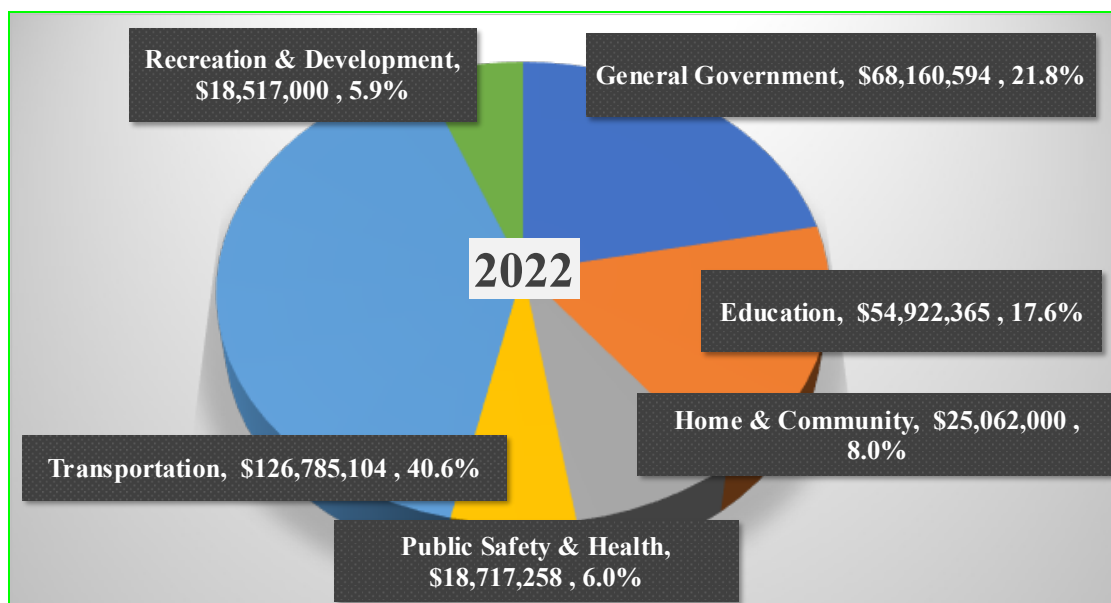
Exhibit DB-IV
Proposed Capital Improvement Plan - 2022 Through 2027

PROJECT CATEGORY	PRIOR	2022	2023	2024	2025	2026	2027	AFTER 2027	TOTALS
General Government - Equipment	\$ 771,498	\$ 2,774,226	\$ 2,798,964	\$ 1,510,000	\$ 750,000	\$ 1,000,000	\$ 1,000,000	\$ -	\$ 10,604,688
General Government - Facilities	2,323,787	21,209,107	21,380,842	6,082,170	6,160,000	400,000	-	-	57,555,906
Education - Equipment	973,340	1,045,000	777,000	540,000	510,000	342,000	340,000	-	4,527,340
Education - Facilities	18,536,310	7,278,715	8,030,000	9,100,000	3,250,000	2,450,000	1,750,000	-	50,395,025
Health	-	1,500,000	2,000,000	-	-	-	-	-	3,500,000
Public Safety	6,597,439	2,625,685	5,150,000	844,134	-	-	-	-	15,217,258
Transportation - Equipment	4,185,093	6,023,031	6,586,400	5,105,000	4,655,000	3,930,000	3,330,000	-	33,814,524
Transportation - Infrastructure	5,909,549	20,723,529	22,675,763	20,109,691	4,301,628	3,324,710	8,850,710	7,075,000	92,970,580
Culture and Recreation	434,000	5,320,000	4,782,000	575,000	5,713,000	830,000	513,000	-	18,167,000
Economic Assistance	-	150,000	100,000	100,000	-	-	-	-	350,000
Home and Community Services	350,000	9,984,500	7,627,500	3,650,000	1,150,000	1,150,000	1,150,000	-	25,062,000
TOTALS \$312,164,321									

Source: The Proposed Capital Improvement Plan (2022-2027) of the County.

A summary of the County's Proposed Capital Improvement Program by purpose for the years 2022 through 2027, inclusive, is presented in Exhibit DB-VI.

Exhibit DB-VI
2022 Proposed Capital Improvement Program – 2022 Through 2027
Summary of Spending Estimates by Purpose



Source: The Proposed Capital Improvement Programs of the County.

***CMA Finding – 2022 Proposed Capital Improvement Program Sources of Funding.** Similar to the 2021 Capital Improvement Plan, although the summaries included in the front portion of the 2022 Proposed Capital Improvement Plan were 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 2022 Capital Improvement Plan should include funding sources which will enhance transparency and is recommended.*

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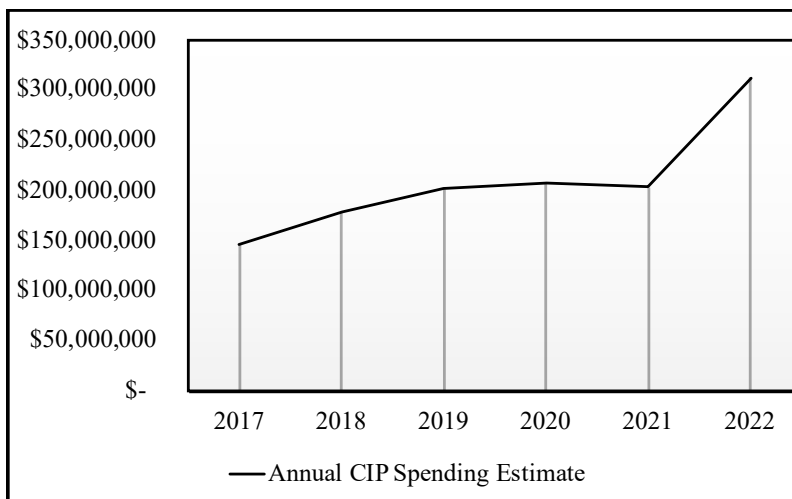
Historic Trend of Annual Capital Programs. Exhibit DB-VI and Exhibit DB-VII provide a tabular and visual summary the County’s Adopted Capital Improvement Programs for each of the (budget) years 2017 through 2021, inclusive, and the 2022 Proposed Capital Improvement Program.

Exhibit DB-VI
Historic Trend of Annual Capital Programs - Table
Budget Years 2017 to 2022

Year Ending December 31:	TOTAL Estimated Spending
2017 (Adopted)	\$147,063,900
2018 (Adopted)	178,192,638
2019 (Adopted)	202,078,311
2020 (Adopted)	207,752,281
2021 (Adopted)	203,704,196
2022 (Proposed)	312,164,321

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

Exhibit DB-VI
Historic Trend of Annual Capital Programs - Chart
Budget Years 2017 to 2022



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

CMA Finding – Historic Trend of Estimated Capital Improvement Program Spending. Over the period 2017 to 2021, inclusive, spending estimates in the Capital Improvement Program have been relatively stable. By comparison, the Proposed Capital Improvement Program for 2022 shows an increase of approximately 53.24% compared to 2021.

SECTION IX

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

Considering the County's recent allocation of Federal aid under the ARPA program, it would be to the benefit of the County to review shared opportunities with other local jurisdictions. The impact of ARPA funds may be increased such funds are combining with peers.

Internal Opportunities – Shared Services. Although the County should certainly explore shared service opportunities with other local governments, the result 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 various County departments to meet 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.

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

Based 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 significant 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 two reasons. First, 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.*

SECTION X

CONCLUSION

The information provided throughout the Review is based on a detailed analysis of the County's 2022 Proposed Budget. Although the Budget provides useful budgetary and operational information for public understanding, CMA requested meetings with key County departments to gain a better understanding of its 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.

If key recommendation, as detailed in this Review, were to be initiated by the County, CMA believes the net tax impact to be in the range of \$3.5 million. The following table summarizes the estimated budget and tax impact such key recommendations.

Budget and Tax Impact of Key Recommendations

Recommendation	Status ⁽¹⁾	Revenue	Expenditure
Replace paper payroll checks with electronic deposits	Open		(\$170,000)
Create a clerical pool	Open		(\$150,000)
Consolidate the central garage and highway garage	Open		(\$170,000)
Revise investment policy	Open	\$100,000	
Strategic management of health insurance	Open		(\$1,000,000)
Raise the occupancy tax to comparative levels (new - double 2022 Executive Budget projection)	Open/New	\$2,800,000	
Develop County mortgage tax and transfer tax (new - follow up on 2021 Legislative discussion of transfer tax)	Open/New	\$3,400,000	
Sales tax projection in 2022 proposed Executive Budget should be lowered	New	(\$4,000,000)	
Use of appropriated General Fund balance in 2022 proposed Executive Budget should be lowered	New	(\$1,000,000)	
Reduce the number of new positions below the proposed increase of 59 for 2022 (reduce by 10)	New		(\$750,000)
TOTALS		\$1,300,000	(\$2,240,000)
NET IMPACT ON TAXATION			\$3,540,000

(1) Open - Recommendation In the CMA review and report on the 2021 Budget. New - Identified in the current/ongoing review for the 2022 budget and recent budget activities.

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 to strategically plan for fiscal health of the County. Nevertheless, we caution the County. It remains imperative that the County develop a better understanding of the parameters and guidelines surrounding the eligible uses of ARPA funds to maximize the benefits for the use of this significant, one-time revenue.

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 2022.

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APPENDIX A: DEPARTMENTAL SUMMARIES

DEPARTMENT SUMMARIES – PREAMBLE

In conducting its review of the 2022 Proposed Budget, CMA independently interviewed specific department staff 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 2022 Ulster County Executive Budget proposes \$1,858,408 in total appropriations for the County Attorney’s Office, an increase of 19.09% from the prior year. The County is responsible for all proposed expenses for this department.

Source: The 2022 Proposed Budget of the County.

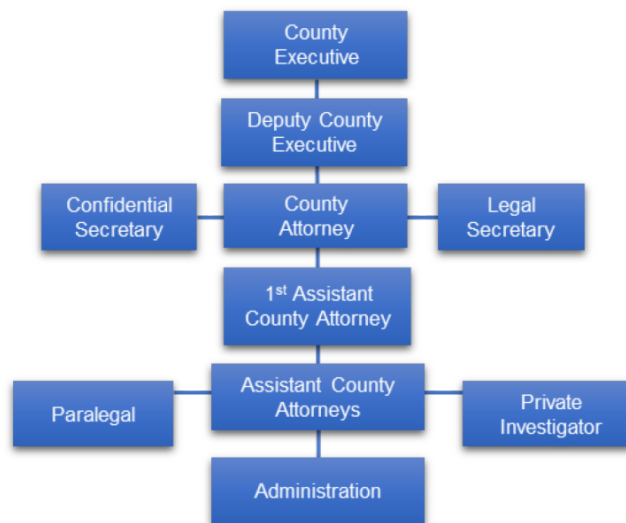
DEPARTMENT DIVISIONS

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 thirteen. 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 2022 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.

- *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

- *Difficulty attracting and retaining talent.* As a result of low salaries for attorneys compared with surrounding jurisdictions and, especially, the private sector, the Department has experienced significant turnover in the past year and has had a difficult time replacing those positions. The County has increased the salaries of the Department for the coming fiscal year, however, salaries continue to remain weak relative to their peers.
-

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 present programs and evaluating new and innovative ways of offering these services.

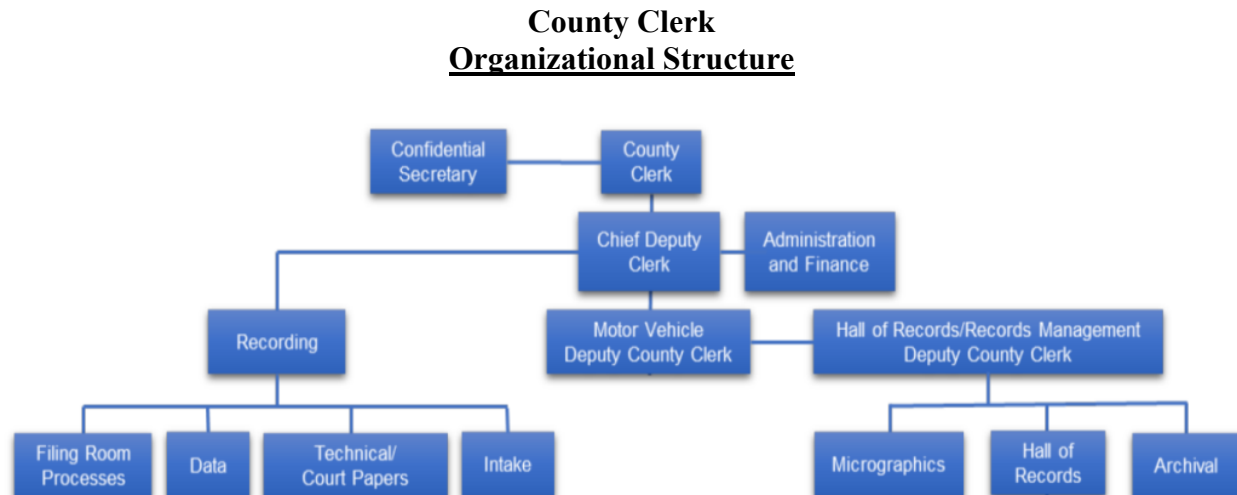
Source: The 2022 Proposed Budget of the County.

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 the office collects mortgage tax, sales tax and transfer tax. On a federal level, the office 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 51 full-time and part-time employees, including vacant positions.



Source: The 2022 Proposed Budget of the County.

CLERK FINANCES

General Expenditures. The 2022 Ulster County Executive Budget proposes \$4,566,951 in total appropriations for the County Clerk's Office, an increase of 6.58% from the prior year.

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 \$2.8 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, as well as free up valuable office space for County operations.
- *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.

The 2022 Ulster County Executive Budget proposes \$1,035,970 in total appropriations for the County Comptroller's Office, an increase of 20.13% from the prior year. The County is responsible for all proposed expenses for this department.

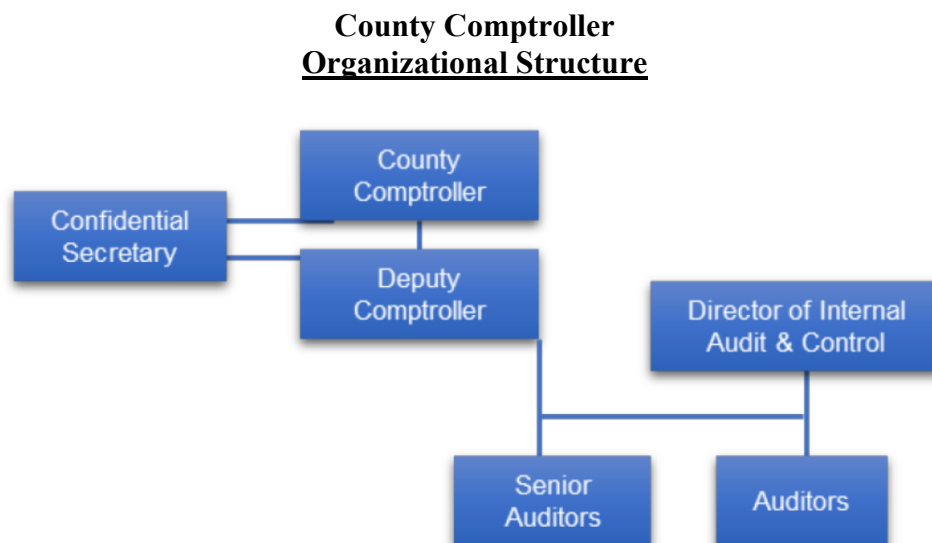
Source: The 2022 Proposed Budget of the County.

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 8 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.



Source: The 2022 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. Specifically, the department identified the Director of Development and Control position, which has been vacant for the past two fiscal years, as one of significant importance that would perform mandated functions currently relegated to other staff members.

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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.

The 2022 Ulster County Executive Budget proposes \$880,228 in total appropriations for the Office of Economic Development, an increase of 1.84% from the prior year. The County is responsible for all proposed expenses for this department.

Source: The 2022 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 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 5 full-time staff. Nevertheless, despite the Department's small workforce, it is well run, strategic in their decision making and, if properly delegated, could play an integral role in determining the future fiscal health of the County.

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Economic Development Organizational Structure



Source: The 2022 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. They are now working to supply additional grants through the federal stimulus monies received and are in a pre-application process.
- *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.

- *Updated Economic Plan.* In late 2020, the Department finalized its updated economic plan for the County, the “Ulster 2040 Plan”, and is currently in the process of beginning its implementation.

WEAKNESSES AND THREATS

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

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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 critical natural assets which are valuable to our residents, visitors, and future generations.

The 2022 Ulster County Executive Budget proposes \$918,677 in total appropriations for the Department of Environment, an increase of 22.29% from the prior year.

Source: The 2022 Proposed Budget of the County.

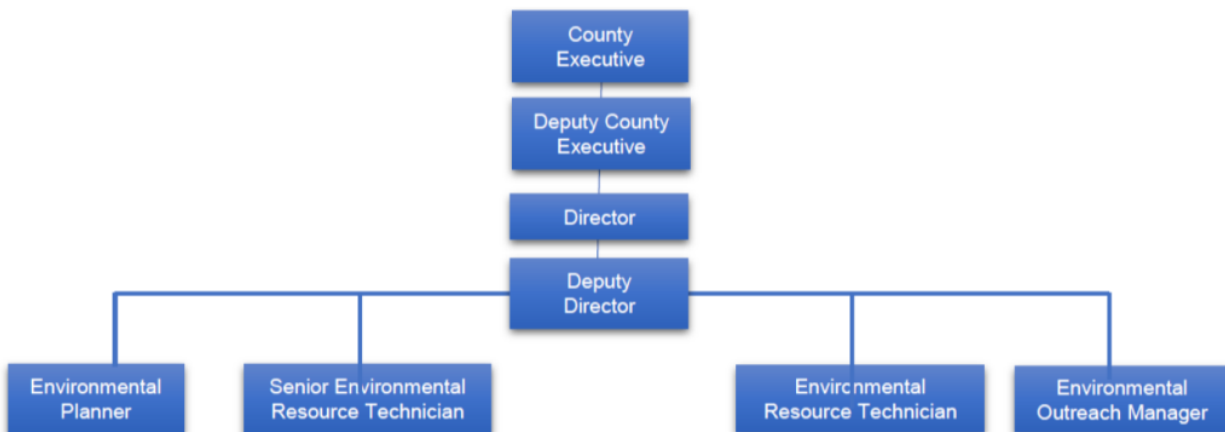
DEPARTMENT FUNCTION

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 6 full-time staff. Nevertheless, despite the Department's small workforce, it is well run and strategic in their decision making.

Department of Environment Organizational Structure



Source: The 2022 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 or threats noted by CMA during its focused interview.

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DEPARTMENT OF FINANCE

DEPARTMENT MISSION

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

The 2022 Ulster County Executive Budget proposes \$4,102,554 in total appropriations for the Department of Finance, an increase of 13.66% from the prior year.

Source: The 2022 Proposed Budget of the County.

DEPARTMENT FUNCTIONS

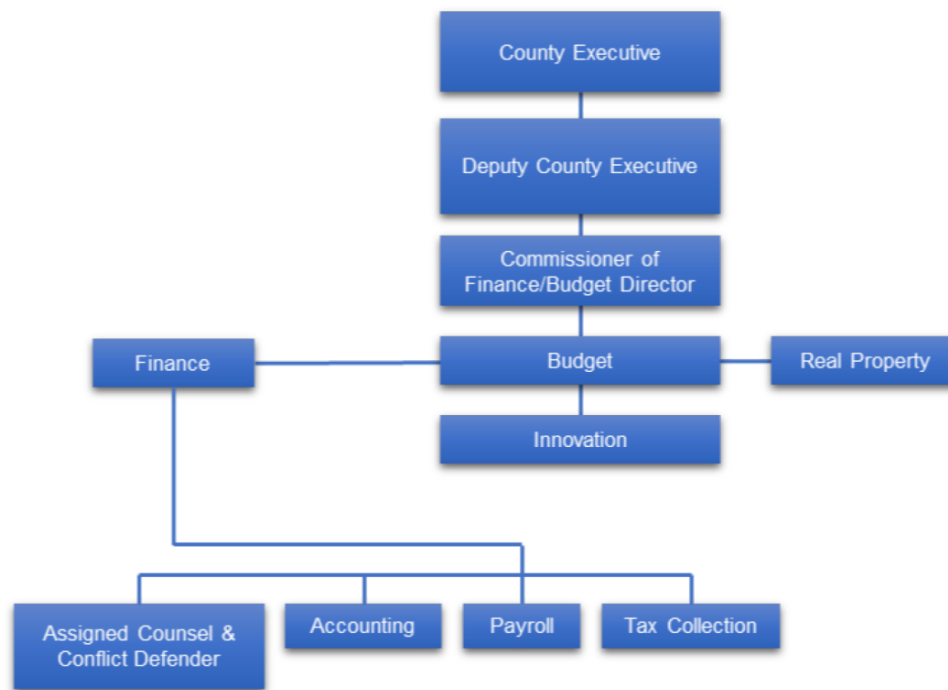
The Department of Finance's role is to ensure the efficient and accurate accounting of all financial affairs of the County, including but not limited to annual financial reporting, debt management, payroll processing, tax collection, preparation of the County Executive's Budget in collaboration with 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 38 employees for FY2022. The responsibilities carried out by the Department are numerous and directly connected to the County's fiscal health.

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Department of Finance Organizational Structure



Source: The 2022 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.

- *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.

- *Overestimation of Sales Tax Revenue.* The Department is budgeting its highest sales tax revenue estimate in history, which could cause issues in its ability to cover expenditures if not realized.
- *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.
- *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.

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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 2022 Proposed Budget of the County.

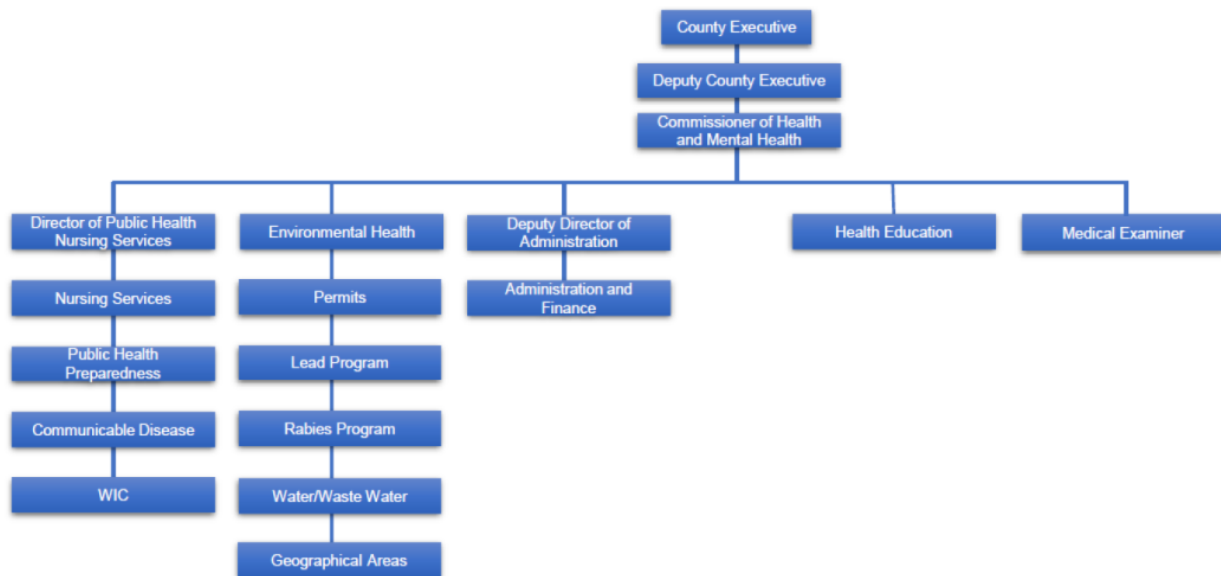
ORGANIZATIONAL STRUCTURE AND WORKFORCE

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

The Department is comprised of two separate departments merged nine years ago. Each department continues to stand as a separate line in the budget, however the FY2022 budget proposes re-establishing an independent Department of Mental Health. The departments are led by 1 commissioner. The Department is staffed by approximately 86 people, this number is greatly reduced from approximately 200 who worked for the departments at years back.

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Department of Health Organizational Structure



Department of Mental Health Organizational Structure



Source: The 2022 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 pandemic, the Department has been at the forefront of contact tracing, 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

- *Staff Turnover and Filling Positions.* The Department has had difficulty replacing positions vacated from retirements and specifically, filling nursing positions, requiring the Department to contract out for certain services that would otherwise be filled by full-time employees.

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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.

The 2022 Ulster County Executive Budget proposes \$7,668,531 in total appropriations for Information Services, an increase of 14.96% from the prior year.

Source: The 2022 Proposed Budget of the County.

DEPARTMENT DIVISIONS

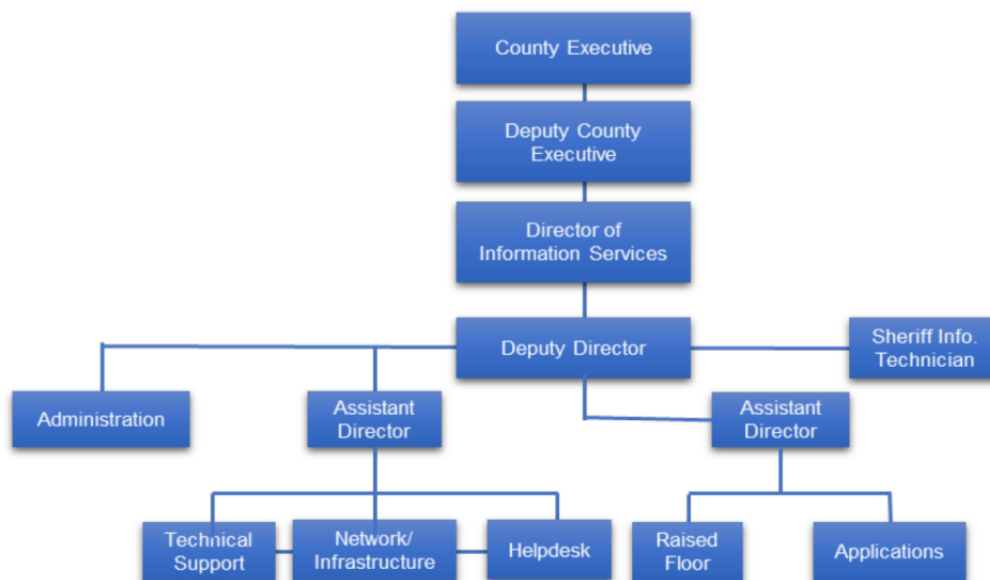
The UCIS provides technical guidance, expertise and support in procuring, managing and securing the County's Information Technology and telecommunications infrastructure. The Department's staff of 27 full-time employees provide top-tier customer service to the County's over 1300 employees, across 54 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 consists of 26 employees, including vacant and new positions being for FY2022.

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Information Services Organizational Structure



Source: The 2022 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. The success the Department experienced from this response allowed it to be more efficient for its FY2022 budget.
- *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.

- *Supply Chain Issues.* Similar to much of the country, shortages of microchips and processors have caused delays in the Department's ability to procure and replace equipment.
- *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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DEPARTMENT OF INSURANCE

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 2022 Ulster County Executive Budget proposes \$5,166,185 in total appropriations for the Insurance Department, an increase of 4.33% over the prior year. The Department anticipates generating \$295,000 of revenue, leaving the County responsible for \$4,871,185 of this department's proposed expenses.

Source: The 2022 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 Organizational Structure



Source: The 2022 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, $\frac{3}{4}$ 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 from 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 Personnel Department 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 2022 Ulster County Executive Budget proposes \$7,223,352 in total appropriations for the Personnel Department, an increase of 3.1% over the prior year. Net of \$1,214,000 in revenue generated by the department, the County is responsible for \$5,986,169 of the department's expenses.

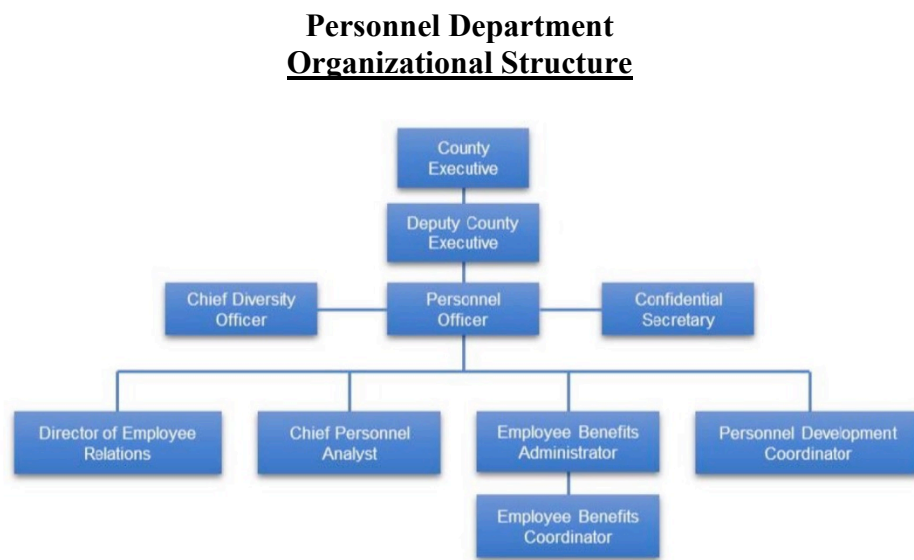
Source: The 2022 Proposed Budget of the County.

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.

ORGANIZATIONAL STRUCTURE AND WORKFORCE



Source: The 2022 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.
- *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 experienced a number of retirements in the past year due to the retirement incentive and must work to fill a significant number of positions for FY2022.

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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.

The 2022 Ulster County Executive Budget proposes \$1,712,743 in total appropriations for the Department of Planning, an increase of 10.69% from the prior year.

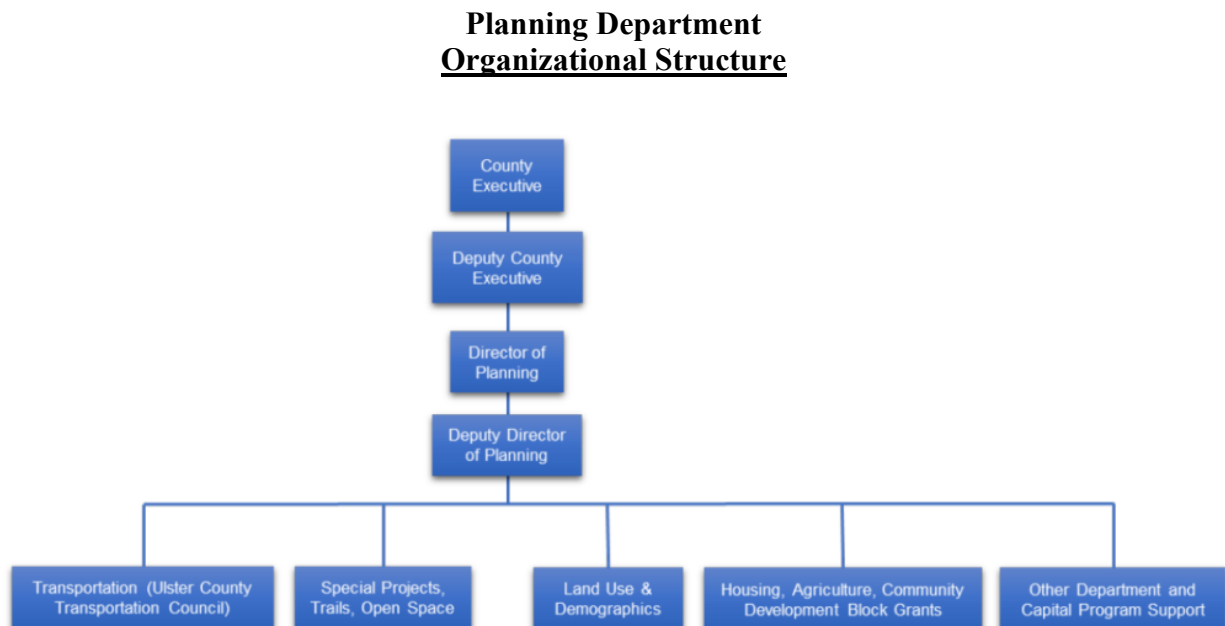
Source: The 2022 Proposed Budget of the County.

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 8 full-time staff for FY2022.



Source: The 2022 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.

The 2022 Ulster County Executive Budget proposes \$33,330,840 in total appropriations for all departments under Public Works.

Source: The 2022 Proposed Budget of the County.

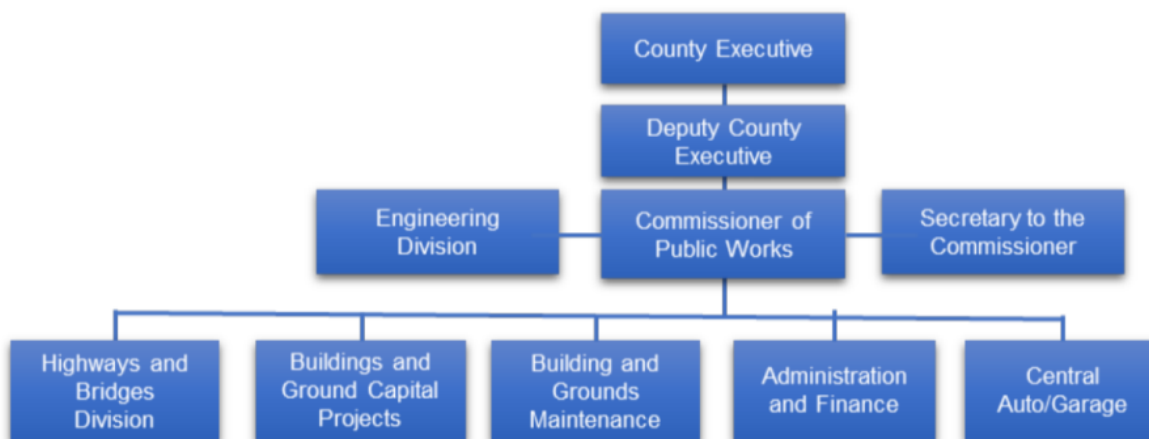
DEPARTMENT DIVISIONS

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.

Department of Public Works Organizational Structure



Source: The 2022 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.

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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.

The 2022 Ulster County Executive Budget proposes \$1,307,207 in total appropriations for the Purchasing Department, an increase of 7.43% from the prior year.

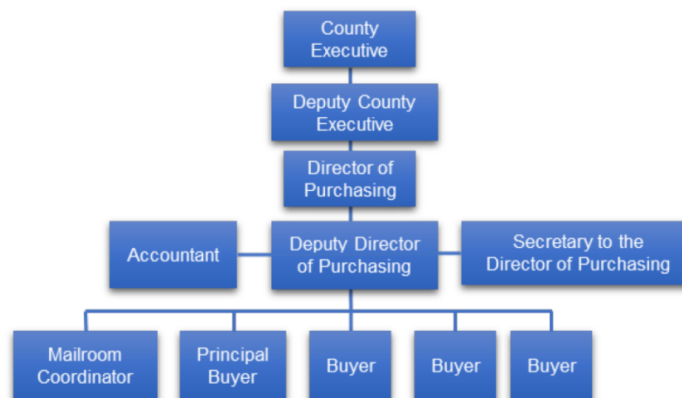
Source: The 2022 Proposed Budget of the County.

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

Purchasing Department Organizational Structure



Source: The 2022 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 credit 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 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.

The 2022 Ulster County Executive Budget proposes \$14,043,141 in total appropriations for the Sheriff's Office, an increase of 10.3% from the prior year.

Source: The 2022 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.

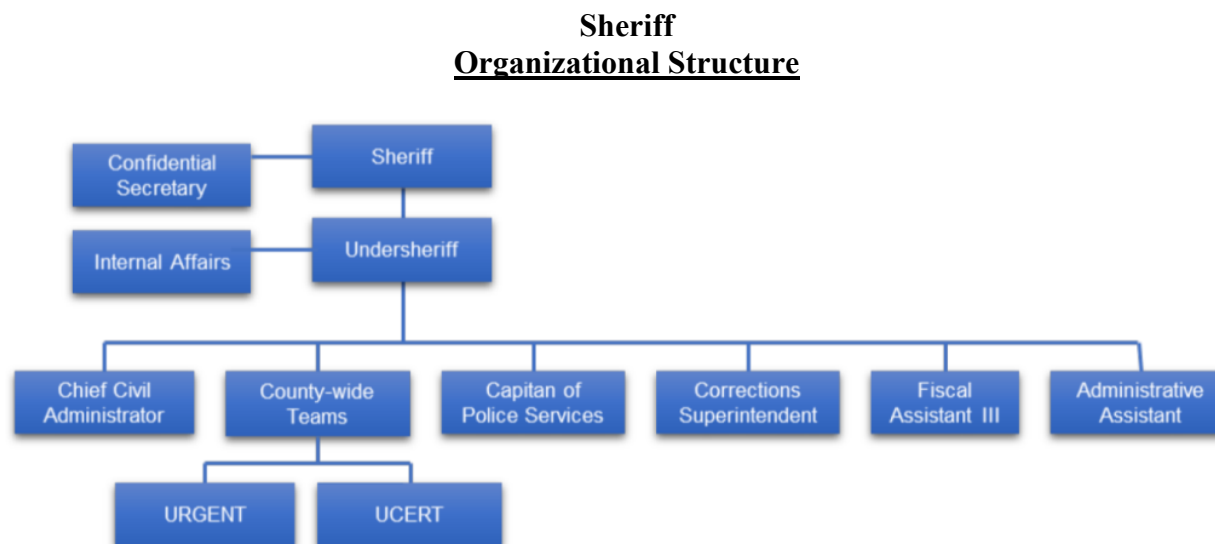
- *Administration*
 - The Administration oversees all the operations of the Sheriff's Office.
- *Criminal Division*
 - The Criminal Division provides daily law enforcement services throughout the County.
- *Corrections Division*
 - The Corrections Division assumes responsibility for the custody, planning, 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 2022 Proposed Budget of the County.

STRENGTHS AND OPPORTUNITIES

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

- *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 and recruiting staff and low turnout for civil service exams has made staffing an issue.
- *Minimum Staffing.* Minimum staffing level requirements can make it somewhat difficult to reduce certain costs.

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.

The 2022 Ulster County Executive Budget proposes \$113,808,923 in total appropriations for the Department.

Source: The 2022 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:

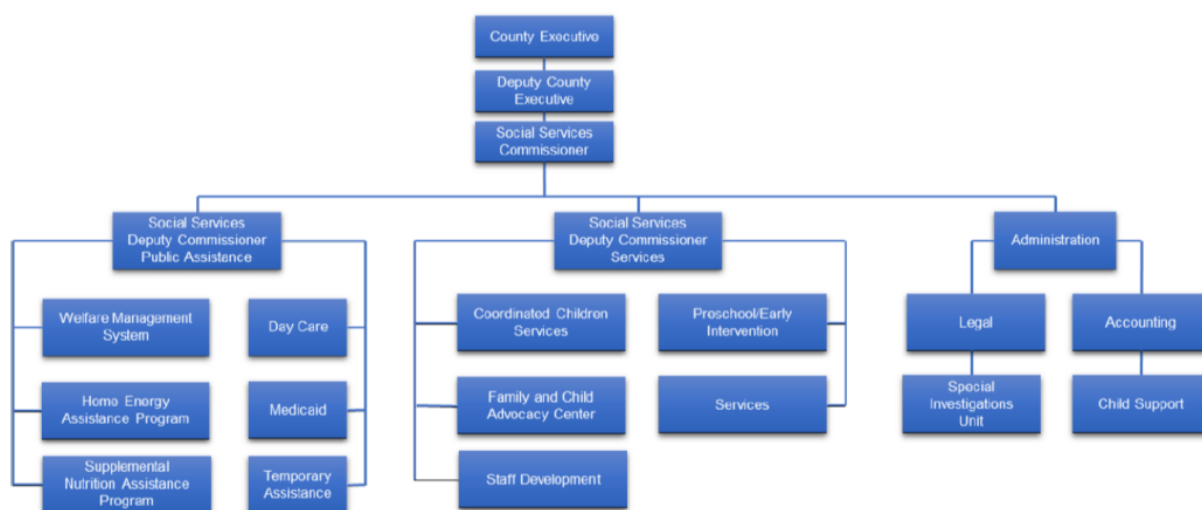
- Adoption
- Adult Protective Matters
- Anti-Fraud, Waste and Abuse Hotline Initiative
- Certified Alcohol/Substance Abuse Counselor
- Child Care Subsidy
- Child Protective Matters
- Child Protective Services (CPS)
- Children and Family Services
- Coordinated Children's Services (CCS)
- Early Intervention 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 Organizational Structure



Source: The 2022 Proposed Budget of 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.

- *Uncertainty Regarding Aid.* While the Department did not experience significant federal and state aid reductions to the extent many feared in 2021, there remains uncertainty for the FY2022 as to whether aid will continue to flow at the expected levels. Any reduction could result in a reduction of services.

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APPENDIX B:

DEMOGRAPHIC AND SOCIOECONOMIC ENVIRONMENT

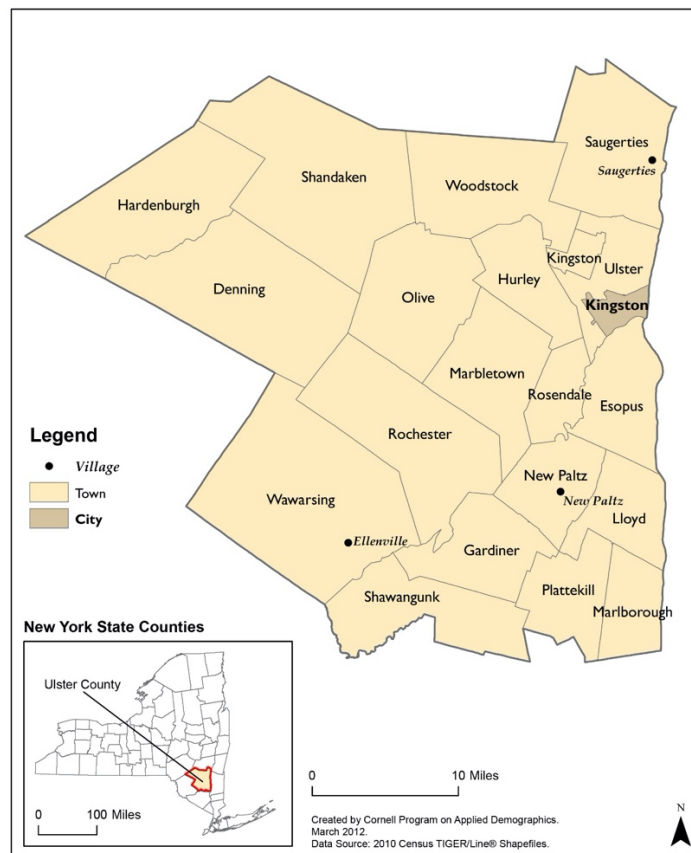
GENERAL INFORMATION

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

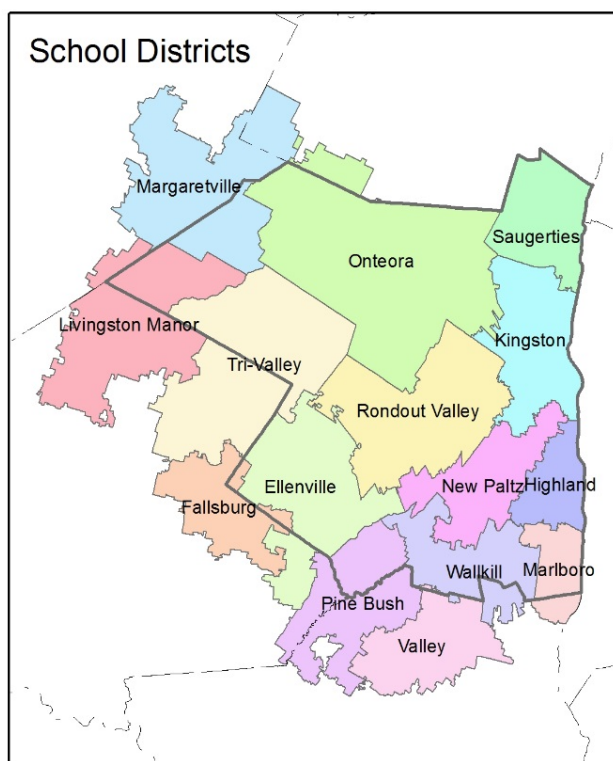
Cities, Towns and Villages Within the County



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
School Districts Within the County



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, 2020, 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 2020-21 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.

- Westchester Health Alliance of the Hudson Valley (Mary’s Avenue Campus)
- Westchester 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 31,2020.

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 31,2020.

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POPULATION BENCHMARKS

General Population. With an estimated population of 177,573 (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 2019 the population of the County increased by approximately 26.5%, which was significantly higher than the State as a whole.

Exhibit A-IV
Population (1970 to 2019 ⁽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
2019 ⁽¹⁾	178,665	19,572,319
% Change 1970 to 2019 ⁽¹⁾	26.5%	7.3%

(1) Interim data for 2019.

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 (2019 ⁽¹⁾)

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

(1) Interim data for 2019.

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 44.0 years, which exceeded the median age of the State by 13.4%.

Exhibit A-VI
Population Age Statistics (2019 ⁽¹⁾)

Age	County	State
Under 5 Years	4.40%	5.90%
5 To 9 Years	4.91	5.64
10 To 14 Years	5.22	5.87
15 To 19 Years	6.11	6.19
20 To 24 Years	6.49	6.76
25 To 34 Years	12.40	14.64
35 To 44 Years	11.55	12.43
45 To 54 Years	14.30	13.35
55 To 59 Years	8.24	6.84
60 To 64 Years	7.21	6.31
65 To 74 Years	11.39	9.05
75 To 84 Years	5.44	4.77
85 Years & Over	2.34	2.26
Median Age (Years)	44.0	38.8

(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 \$34,834 in 2019, which was lower than the State by 11.4%.

Exhibit A-VII
Per Capita Money Income (2019 ⁽¹⁾)

Year	County	State
2019	\$34,834	\$39,326

(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 2019 was estimated to be \$86,419, which slightly below that of the State.

Exhibit A-VIII
Median Income of Families (2019 ⁽¹⁾)

Family Income	County	State
Less than \$10,000	4.6%	4.0%
\$10,000 to \$14,999	1.0	2.6
\$15,000 to \$24,999	4.8	6.2
\$25,000 to \$34,999	5.4	6.8
\$35,000 to \$49,999	10.9	9.9
\$50,000 to \$74,999	15.6	15.3
\$75,000 to \$99,999	14.8	13.0
\$100,000 to \$149,999	21.1	18.5
\$150,000 to \$199,999	12.2	10.1
\$200,000 or More	9.6	13.6
Median Family Income	\$86,335	\$84,385

(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 (2016 to 2021)

Year	County	State
2016	4.4%	4.9%
2017	4.5	4.7
2018	3.9	4.1
2019	3.6	3.8
2019	8.0	10.0
2021 Monthly		
Jan	6.7	9.4
Feb	6.9	9.7
Mar	6.2	8.4
Apr	5.1	7.7
May	4.7	7.0
Jun	5.0	7.2
Jul	5.1	7.4
Aug	5.1	7.1

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 2020 was estimated at 86,200, which represents no increase or decrease since 2016. Over this same period, the labor force for the State, as a whole, decreased by 2.5%.

Exhibit A-X
Civilian Labor Force Benchmarks (2016 to 2020)

Jurisdiction	2016	2017	2018	2019	2020	% Change 2016 to 2020
County	88,200	88,000	88,200	87,500	86,200	0.0%
State	9,527,000	9,549,100	9,511,200	9,507,100	9,289,200	(2.5)

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		STATE	
	Avg. Employment	%	Avg. Employment	%
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 2019 was estimated to be \$230,500, which was approximately 26.5% below the average for the State as a whole. The County's median gross (monthly) rent was \$1,112, which was approximately 13.1% below the median for the State as a whole.

Exhibit A-XIV
Housing Units (2019 ⁽¹⁾)

Jurisdiction	Median Value Owner-Occupied Housing Units	% Owner-Occupied Housing Units	Median Gross Rent
County	\$230,500	55.6%	\$1,112
State	313,700	47.6	1,280

(1) Interim data.

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