

COUNTY, CITIES OF POUGHKEEPSIE AND BEACON REACH NEW SALES TAX AGREEMENT

Poughkeepsie, NY... Dutchess County Executive Marcus J. Molinaro with City of Beacon Mayor Randy Casale and City of Poughkeepsie Mayor John Tkazyik have announced they have reached a new ten year agreement for the distribution of the sales tax collected in Dutchess County. The agreement will be presented to the Dutchess County Legislature and the City Councils of Beacon and Poughkeepsie for approval in June.

The agreement allows Dutchess County government to continue to receive a 3.75% County Sales and Use Tax, with the Cities of Poughkeepsie and Beacon surrendering their right to receive a .5% sales and use tax within their respective municipalities. (The agreement is among these three parties because under state law, only county and city governments have the right to impose a local sales tax. Towns and villages do not have that right.)

Under the prior agreement, which expired in February 2005, the County received 81.55% of total gross sales tax revenue collected countywide and the cities and municipalities received 18.45%. The Cities of Poughkeepsie and Beacon were allocated almost 55% of the amount shared, with the towns and villages receiving the remaining 45% based on population for the towns and assessed valuation for the villages (see attached chart, Column 1).

The new agreement continues the \$25 million cap on sales tax distribution to the cities, towns and villages that was established as part of the 2013 County budget to help close the initial \$40 million budget gap and preserve County programs and services. Under the agreement, the \$25 million will continue to be distributed to municipalities, with the City of Poughkeepsie receiving \$9,566,212, the City of Beacon receiving \$4,158,686 and the

towns and villages receiving \$11,275,102. The two cities receive the larger set aside amounts because they continue to waive their right to collect their own sales tax. The new agreement **guarantees** these amounts to the cities, towns and villages, regardless of any declines in sales tax.

City of Poughkeepsie Mayor John Tkazyik said, "The City will be served well by a guaranteed distribution of sales tax eliminating any future reduction that would unexpectedly impact future budgets and allow for better long term planning."

Additionally, the new agreement provides the cities, towns and villages an annual share of any increase in sales tax revenue. Beginning in 2014, municipalities will receive 18.5% of sales tax growth, which will be calculated based on the growth in 2013 gross sales tax receipts over 2012 gross sales tax receipts. This growth dollar amount will be distributed based on population. There will be no dedicated amount set aside for the two cities, therefore the towns and villages will see a greater proportionate share of sales tax growth, in many cases nearly double their current percentage. The municipalities will receive 85% of the shared growth compared to 45% in the prior agreement, and the cities will receive 15% compared to 55% under the previous agreement. Going forward, sales tax growth or loss will be calculated each year by comparing the most recent year's gross sales tax receipts with the prior year's gross sales tax receipts and will be added to or subtracted from the previous year's distribution amount. However, in no event shall municipalities receive less than their proportionate share of the \$25 million. The County shall absorb any loss below the \$25 million cap.

The distribution of annual sales tax growth requires the agreement of all 30 cities, towns, and villages. The local municipalities have 90 days following the adoption of this sales tax agreement by the County and the Cities to consider other distribution options for the growth of the sales tax. If an alternate distribution option is not adopted unanimously by all 30

municipalities, the distribution will be determined by population as outlined in the agreement. County Executive Molinaro noted, "We have considered a wide variety of possible options for the distribution of annual growth with the goal being a more fair and equitable methodology. We believe that by capping the sales tax and changing the growth distribution formula going forward, we have established an agreement which provides the most beneficial arrangement for our towns and villages, without further negatively impacting the two cities, which have bore the greatest impact in the change."

City of Beacon Mayor Randy Casale said, "All of the parties have worked very diligently to craft the best possible agreement that works for both our individual communities and the county as a whole. County Executive Molinaro has been a tremendous partner with the City of Beacon, softening the impact of lower sales tax by working with us on new bus transportation, worker's compensation and other initiatives that have benefited our City."

County Executive Molinaro noted, "I am grateful for the willingness of the cities, towns and villages to cooperate with us last year when we established the \$25 million sales tax cap. We worked hard to create an agreement which provides equity to all parties and we will continue to partner with municipalities to find greater efficiencies, consolidate government, enhance service delivery and reduce costs for taxpayers."

Among those partnerships, Dutchess County Government now assumes full cost of elections starting in 2013, a savings of more than \$730,000 for municipalities in 2013 alone.

The competitive *Municipal Consolidation and Shared Services Grant Program* was also established to provide up to \$2 million to incentivize consolidation and improved efficiency proposals. The program is administered by the Dutchess County Department of Planning and Development and applications are now available on the county website at <http://www.co.dutchess.ny.us/CountyGov/Departments/Planning/22268.htm>. Awards will be announced in the fall.

Both the City of Beacon and City of Poughkeepsie's councils will vote on the sales agreement at their respective June 3rd council meetings. The Dutchess County Legislature will vote on the agreement at the June 10th board meeting.

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