

Office of the NEW YORK STATE

**COMPTROLLER**

# **Fiscal Stress Monitoring System Results for Municipalities: Three-Year Review**

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NYS Comptroller

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# Overview

The Office of the State Comptroller (OSC) uses the Fiscal Stress Monitoring System (FSMS) to calculate and publish fiscal stress scores for all municipalities (counties, cities, towns and villages) and school districts in the State.<sup>1</sup> This score measures each local government’s ability to maintain budget solvency, using only annual financial data it already reports to OSC. By alerting local officials and citizens to areas of concern as soon as FSMS flags them, the System is intended to help entities avert larger financial crises.

**Figure 1**

**All Counties, Cities, Towns and Villages**  
Fiscal Stress Designation, 2013 through 2015

	2013	2014	2015
Significant Fiscal Stress	14	18	11
Moderate Fiscal Stress	12	17	18
Susceptible to Fiscal Stress	24	34	30
<b>Total with Stress Designation</b>	<b>50</b>	<b>69</b>	<b>59</b>
No Designation	1,425	1,405	1,411
Not Filed or Inconclusive	123	124	128
<b>Total</b>	<b>1,598</b>	<b>1,598</b>	<b>1,598</b>

Source: Office of the State Comptroller (OSC). The Village of Bridgewater (Oneida County) was not included since it dissolved in 2015.

In conjunction with this report, OSC released fiscal year end (FYE) 2015 scores for municipalities operating on a calendar-year basis. This group of municipalities includes the 57 counties outside of New York City, all 932 towns in the State and 44 cities and 10 villages – a total of 1,043 municipalities. Earlier this year, OSC released FYE 2015 scores for another 17 cities and 538 villages that operate on a fiscal year that does not coincide with the calendar year.<sup>2</sup>

Municipalities can fall into one of three fiscal stress categories based on their fiscal stress score: significant fiscal stress, moderate fiscal stress and susceptible to fiscal stress. This report examines and summarizes notable trends in the fiscal scores of all New York counties, cities, towns and villages regardless of their fiscal year end dates, for the period 2013 to 2015.

- Relatively few local governments demonstrate signs placing them on the FSMS stress list. According to FSMS for 2015, 59 local governments, or 4 percent of those scored, are experiencing some level of fiscal stress. Of these, 11 are in significant fiscal stress, 18 in moderate fiscal stress and 30 are susceptible to fiscal stress. (See Figure 1.)
- During the 2013 through 2015 fiscal years, 112 local governments, or about 7 percent, have been in one of the three fiscal stress categories for at least one year.
- From 2014 to 2015, 21 municipalities moved into a stress designation, while 31 municipalities moved out – an overall improvement.
- Between 2013 and 2015, the annual number of local governments that either failed to file or filed incomplete data ranged from 123 to 128 (8 percent of local governments in the State). This includes 59 municipalities that did not file financial data in time to receive a FSMS score for any of the three years included in this study.

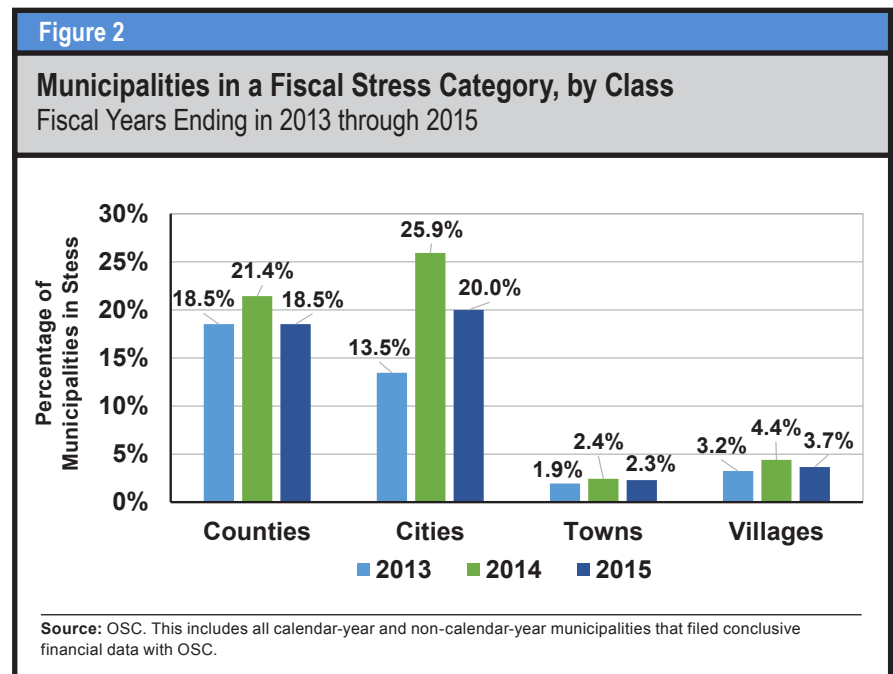
Audits of local governments in fiscal stress have often found that they have not incorporated multiyear financial planning into their budgeting process. Multiyear planning can be a key element to helping a municipality get out of fiscal stress and to avoid it in the future. OSC’s website contains a wealth of information on this topic, and the State’s Financial Restructuring Board for Local Governments even has funding to help local officials who want to hire an advisor to help them get started.<sup>3</sup>

## Findings for 2015

Most local governments (96 percent of those that filed) are not in any category of fiscal stress. However, a municipality that is not in a fiscal stress category may nevertheless possess some associated risk factors. Local officials should review their FSMS results carefully, including performance on each indicator, to identify potential risks. The FSMS does not attempt to measure levels of fiscal wellness. Accordingly, a “no designation” rating does not imply a complete absence of fiscal stress.

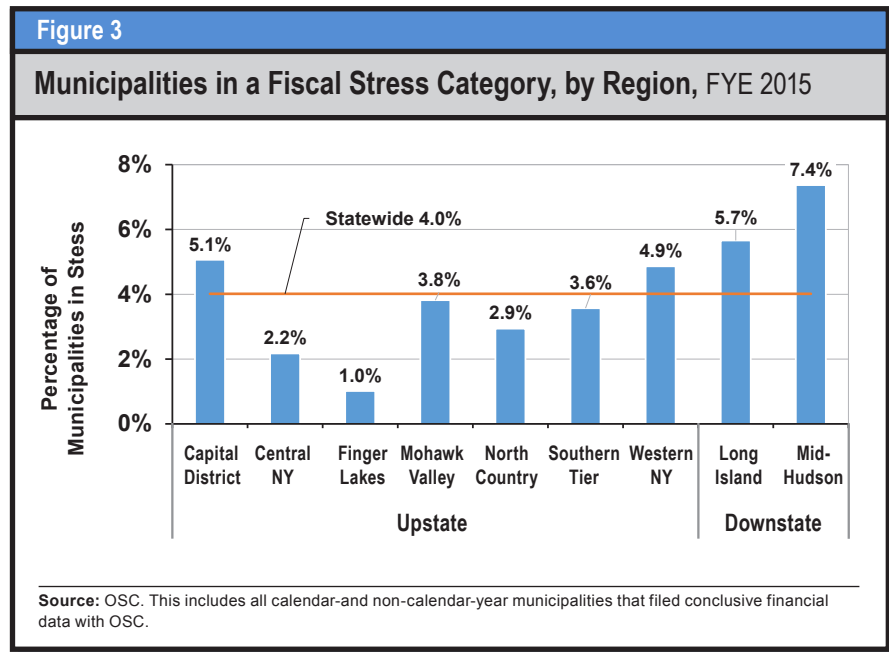
### Class

Of the local governments that were scored, counties and cities are much more likely to experience fiscal stress than towns and villages. In 2015, 10 counties and 11 cities, or approximately 19 to 20 percent of each class, were in stress. (See Figure 2.) This is an improvement from 2014, when 12 counties and 14 cities were in fiscal stress. Only 20 of 869 towns (2.3 percent) and 18 of 492 villages (3.7 percent) that were scored were in fiscal stress in 2015.



## Region

Fiscal stress varies by region. One-third of all municipalities in a fiscal stress category were in the downstate regions (Long Island and the Mid-Hudson Valley). In the Mid-Hudson region, 7.4 percent of all scored municipalities were in a fiscal stress category, compared to 5.7 percent on Long Island. (See Figure 3.) Additionally, these two downstate regions have the largest share (8 out of 19) of persistently stressed local governments. (See discussion on page 5.)



Outside of the downstate regions, the Capital District region had the highest stress rate, at 5.1 percent. The Finger Lakes region had the smallest percentage of local governments in a fiscal stress category, at 1 percent.

## Environmental Indicators

In addition to the financial indicator scores, the System measures other factors that may pose challenges to the fiscal health of a municipality. Social, economic and demographic factors (referred to as “environmental indicators” in the FSMS) often impact local government finances. For example, stagnant or declining property values can affect how much property tax a municipality receives without an increase in its tax rate. An aging population may require additional governmental services, while a declining population will leave fewer people to shoulder fixed costs, such as debt service and employee salaries and benefits. The FSMS uses 14 environmental indicators to calculate an environmental stress score. The environmental indicators include measures of poverty, the property tax base, unemployment, State aid and certain other demographic and resource-related measures. These indicators help highlight some of the systemic challenges unique to individual communities, many of which are outside of local government officials’ control.

In 2015, the environments of 260 local governments were identified as particularly stressful. Local governments in fiscal stress were more likely than others to be operating in such environments. In 2015, 36 percent of municipalities in some level of fiscal stress were also experiencing environmental stress. In contrast, only 17 percent of municipalities that were not in any category of fiscal stress showed signs of environmental stress.<sup>4</sup>

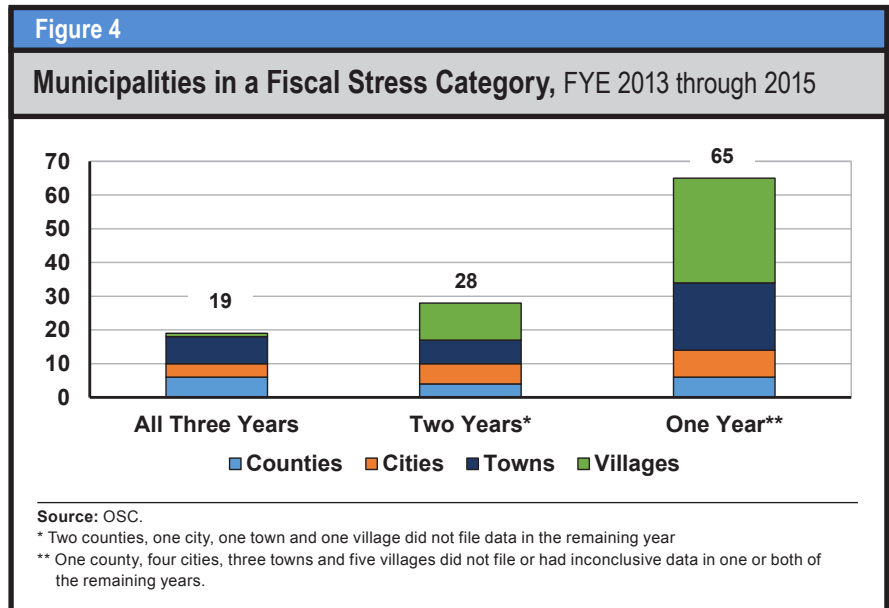
# Trends in FSMS Scores, 2013 through 2015

Each year from 2013 through 2015, between 50 and 69 municipalities, or approximately 3 to 4 percent, were scored in a stress category. In all, 112 municipalities have been on the stress list at least once during this time. Sixty-five were on the list just once during the period.

## Persistent Stress

A small number of local governments are experiencing chronic fiscal stress. Nineteen municipalities have been placed in a fiscal stress category three years in a row. (See Figure 4.)

The persistently stressed municipalities for the period include six counties, four cities, eight towns and one village. (See Figure 5.)



- Only three, Franklin, Monroe and Rockland counties, have been in significant fiscal stress for all three years
- Nine others (Broome, Orange and Suffolk Counties; the Cities of Poughkeepsie and Fulton; and the towns of Cherry Valley, Coeymans, Colonie, and Hempstead) were scored as being in moderate or significant stress for the last three years.
- Between 2014 and 2015, only one municipality moved into a higher stress category (the Town of Tuxedo), while six municipalities have improved, dropping to a lower stress designation (the City of Glen Cove; the towns of Cherry Valley, Coeymans, German Flatts, and Jasper; and the Village of Amityville).
- Eight of these persistently stressed municipalities were in the same fiscal stress category each year.

Figure 5

### Municipalities in Fiscal Stress for Three Years

Municipality	Region	County	Fiscal Stress Desingation		
			2013	2014	2015
County of Broome	Southern Tier	Broome	Moderate	Significant	Significant
County of Franklin	North Country	Franklin	Significant	Significant	Significant
County of Monroe	Finger Lakes	Monroe	Significant	Significant	Significant
County of Orange	Mid-Hudson	Orange	Susceptible	Susceptible	Susceptible
County of Rockland	Mid-Hudson	Rockland	Significant	Significant	Significant
County of Suffolk	Long Island	Suffolk	Moderate	Moderate	Moderate
City of Fulton	Central NY	Oswego	Moderate	Moderate	Moderate
City of Glen Cove	Long Island	Nassau	Moderate	Significant	Susceptible
City of Little Falls	Mohawk Valley	Herkimer	Susceptible	Moderate	Moderate
City of Poughkeepsie	Mid-Hudson	Dutchess	Significant	Moderate	Moderate
Town of Cherry Valley	Southern Tier	Otsego	Moderate	Significant	Moderate
Town of Coeymans	Capital District	Albany	Moderate	Significant	Moderate
Town of Colonie	Capital District	Albany	Moderate	Moderate	Moderate
Town of German Flatts	Mohawk Valley	Herkimer	Significant	Moderate	Susceptible
Town of Hempstead	Long Island	Nassau	Moderate	Moderate	Moderate
Town of Jasper	Southern Tier	Steuben	Significant	Significant	Susceptible
Town of Parish	Central NY	Oswego	Susceptible	Significant	Significant
Town of Tuxedo	Mid-Hudson	Orange	Susceptible	Susceptible	Significant
Village of Amityville	Long Island	Suffolk	Significant	Significant	Susceptible

Source: OSC.

## Non-Filers and Incomplete Data

Local governments have up to 120 days after the close of their fiscal year to file their annual financial reports with OSC; this information is the foundation of FSMS scores.<sup>5</sup> OSC also scores local governments that file late (within eight months after the end of the fiscal year). In some instances, local governments filing within this eight-month window had data that was not complete enough to enable OSC to calculate a fiscal stress score. These filings are classified as “inconclusive” at the time of the FSMS score assignment.

- Typically 8 percent of the municipalities either did not file data or filed inconclusive data with OSC—123 in 2013, 124 in 2014 and 128 in 2015.
- Sixty-two local governments did not file financial data in time to receive a FSMS score in each of the last three reporting years. This includes the Cities of Amsterdam, Gloversville and Ithaca, as well as 36 towns and 23 villages.<sup>6</sup> (See Appendix for a list of persistent non-filing municipalities.)
- Many of these non-filing municipalities filed their financial information with OSC at some point after the FSMS scores were published. Failure to file timely financial data undermines the ability of local government leaders and residents to detect and address possible fiscal stress.

## Changes in Designation

In 2015, 21 local governments were newly classified as in stress. (See Figure 6.) This is an improvement from the 41 that moved into a fiscal stress designation in 2014. Also for this year, 31 local governments moved out of a fiscal stress category, either because they received a lower fiscal stress score or they failed to file or filed inconclusive data. This is an increase from the 22 local governments that moved from receiving a fiscal stress designation in 2013 to a no designation status and/or did not file status in 2014.

**Figure 6**

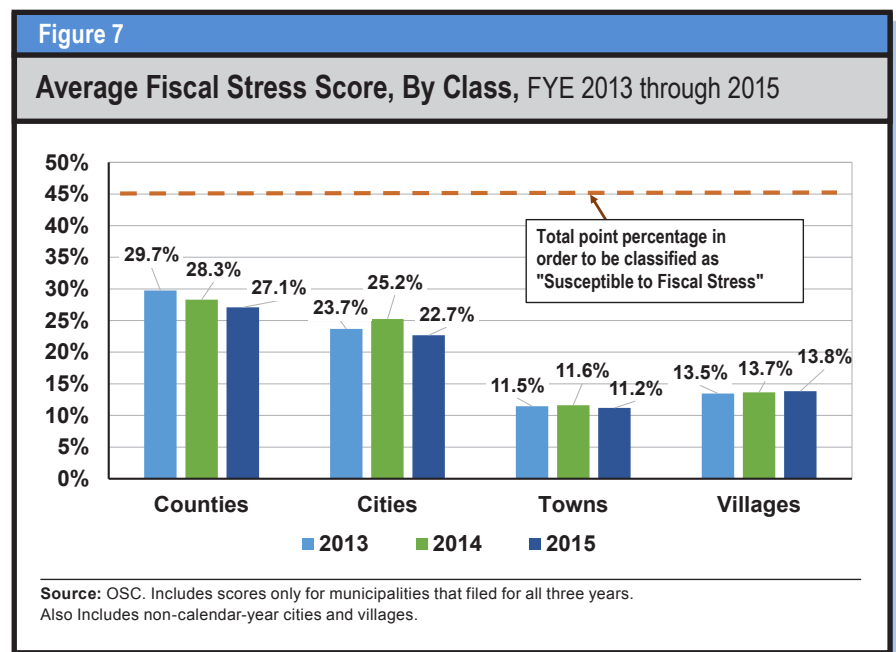
**FSMS Designation Changes, FYE 2013 through 2015**

	2013 to 2014	2014 to 2015
No Designation to Stress Designation	30	18
Not Filed to Stress Designation	11	3
<b>Total Into Stress</b>	<b>41</b>	<b>21</b>
Stress Designation to No Designation	20	28
Stress Designation to Not Filed	2	3
<b>Total Out of Stress</b>	<b>22</b>	<b>31</b>

Source: OSC. For purposes of this table, "Not Filed" includes those with inconclusive data.

## Score Trends

Based on the FSMS classifications, a score of 45 percent or more indicates some level of fiscal stress. Overall, municipality scores average well below this threshold. (See Figure 7.) However, counties and cities have a higher average FSMS score than towns and villages. Over the last three years, the average fiscal score for counties has declined by approximately three percentage points from 30 to 27 percent. Cities also improved, dropping more than two percentage points from 2014 to 2015, after having seen an increase from 2013 to 2014. The average fiscal stress scores for towns and villages have remained relatively stable (and low) from 2013 through 2015.<sup>7</sup>



## Large Score Changes

Some municipalities had a large FSMS score change from 2014 to 2015. (See Figure 8.) Two towns and three villages had score increases of over 40 percentage points, while scores for one city and three towns declined by over 40 percentage points. Towns and villages, especially if they are small, are particularly susceptible to large score changes, since even relatively small changes in revenues or expenditures from year to year may cause them to run operating deficits or experience a decline in fund balance, which are both major factors in determining fiscal stress.

However, in some cases unique circumstances can account for large score changes. For instance, the Town of Jefferson had a 54 percentage point increase in its fiscal stress score from 2014 to 2015. This score increase is due mainly to a revenue anticipation note issued to pay for emergency disaster work. The Town expects to receive reimbursement from the federal government for those expenditures. Similarly, the City of Glens Falls experienced a drop of over 42 percentage points in its fiscal stress score from 2014. This score decrease stems mainly from the recovery of funds from the City's insurance carrier.<sup>8</sup>

**Figure 8**

**Municipalities with Large FSMS Score Changes, FYE 2014 to 2015**

Municipality	FSMS Score		FSMS Designation		Percentage Point Change
	2014	2015	2014	2015	2014 to 2015
Town of Jefferson	6.7%	60.8%	No Designation	Moderate	54.2%
Village of Argyle	0.0%	47.5%	No Designation	Susceptible	47.5%
Village of Richville	10.0%	54.2%	No Designation	Susceptible	44.2%
Village of Cherry Creek	20.8%	62.5%	No Designation	Moderate	41.7%
Town of Tuscarora	3.3%	44.6%	No Designation	No Designation	41.3%
Town of Hartsville	47.9%	6.7%	Susceptible	No Designation	-41.3%
City of Glens Falls	56.3%	14.2%	Moderate	No Designation	-42.1%
Town of Genesee Falls	51.7%	9.6%	Susceptible	No Designation	-42.1%
Town of Napoli	60.8%	15.8%	Moderate	No Designation	-45.0%

Source: OSC.



# Conclusion

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Overall, a low percentage of local governments have been designated in one of the fiscal stress categories since OSC implemented the Fiscal Stress Monitoring System. More municipalities in 2015 received a fiscal stress designation (59) than in 2013 (50); however, the average fiscal stress score overall has stayed essentially the same (13.2 percent in 2013 compared to 13.0 percent in 2015 for all municipalities that filed during the three year period). The 19 municipalities that have been persistently in stress are of particular concern and should review, monitor and evaluate their financial situations carefully.

Municipalities experiencing increases to their fiscal stress score should pay close attention to their fund balances, cash flow and other factors that affect their ability to meet their financial obligations. OSC provides tools to help local governments chart a course out of stress and to avoid it in the future, including live and online training, printed materials and spreadsheet templates. Finally, all municipalities should strive to submit complete, timely and accurate financial reports to OSC. Doing so promotes transparency and better informs stakeholders about their local government's financial condition as budgeting and operating decisions are made.

# Notes

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<sup>1</sup> For more information on the Fiscal Stress Monitoring System, see OSC's Fiscal Stress Monitoring System webpage: [www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm).

FSMS excludes New York City and the dissolved Village of Bridgewater (Oneida County). In this report, years cited refer to the fiscal year ending in that year, which may include a part of the previous calendar year. This report covers all counties, cities, towns and villages regardless of whether their fiscal year is the same as the calendar year.

<sup>2</sup> Three coterminous town-villages report only as villages, and therefore will also appear here as non-filing towns.

<sup>3</sup> [https://frb.ny.gov/about/062016/ResNo2016-14\\_ApproveMulti-YearFP.pdf](https://frb.ny.gov/about/062016/ResNo2016-14_ApproveMulti-YearFP.pdf)

<sup>4</sup> For more information on the environmental stress categories and scoring, see OSC, *Fiscal Stress Monitoring System*: [www.osc.state.ny.us/localgov/pubs/fiscalmonitoring/pdf/fiscalstressmonitoring.pdf](http://www.osc.state.ny.us/localgov/pubs/fiscalmonitoring/pdf/fiscalstressmonitoring.pdf).

<sup>5</sup> General Municipal Law, Section 30(5). In most cases, the maximum 120 days would include filing extensions which may be granted by OSC. For more information, see, OSC's Annual Report Filing Deadlines webpage: [www.osc.state.ny.us/localgov/finreporting/deadlines.htm](http://www.osc.state.ny.us/localgov/finreporting/deadlines.htm).

<sup>6</sup> The 36 towns include three coterminous town-villages that report only as villages and therefore appear here as non-filing towns.

<sup>7</sup> For a more detailed discussion of the financial indicators that comprise the FSMS scores, see OSC's *Fiscal Indicator Stress Close Up* series of reports, which is available at: [www.osc.state.ny.us/localgov/fiscalmonitoring/2015.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/2015.htm).

<sup>8</sup> "Part of Glens Falls Civic Center Wall Collapses, Hoops Games Moved," *The Post-Star*, March 4, 2015.

# Appendix: Persistent Non-Filers

All Municipalities That Have Not Filed in Time for a FSMS Score in All Three Years, 2013 through 2015		
Municipality	Economic Region	County
City of Amsterdam	Mohawk Valley	Montgomery
City of Gloversville	Mohawk Valley	Fulton
City of Ithaca	Southern Tier	Tompkins
Town of Alfred	Western NY	Allegany
Town of Baldwin	Southern Tier	Chemung
Town of Ballston	Capital District	Saratoga
Town of Bridgewater	Mohawk Valley	Oneida
Town of Broadalbin	Mohawk Valley	Fulton
Town of Caroga	Mohawk Valley	Fulton
Town of Carroll	Western NY	Chautauqua
Town of Davenport	Southern Tier	Delaware
Town of Dresden	Capital District	Washington
Town of East Otto	Western NY	Cattaraugus
Town of Ephratah	Mohawk Valley	Fulton
Town of Exeter	Southern Tier	Otsego
Town of Florence	Mohawk Valley	Oneida
Town of Frankfort	Mohawk Valley	Herkimer
Town of Franklin	Southern Tier	Delaware
Town of Fremont	Mid-Hudson	Sullivan
Town of Fremont	Southern Tier	Steuben
Town of Inlet	Mohawk Valley	Hamilton
Town of Lindley	Southern Tier	Steuben
Town of Long Lake	Mohawk Valley	Hamilton
Town of Malone	North Country	Franklin
Town of Mayfield	Mohawk Valley	Fulton
Town of Milford	Southern Tier	Otsego
Town of Morehouse	Mohawk Valley	Hamilton
Town of New Hudson	Western NY	Allegany
Town of Oxford	Southern Tier	Chenango
Town of Pharsalia	Southern Tier	Chenango
Town of Plainfield	Southern Tier	Otsego

## Appendix: Persistent Non-Filers

All Municipalities That Have Not Filed in Time for a FSMS Score in All Three Years, 2013 through 2015		
Municipality	Economic Region	County
Town of Richford	Southern Tier	Tioga
Town of Seneca	Finger Lakes	Ontario
Town of Stratford	Mohawk Valley	Fulton
Town of Warren	Mohawk Valley	Herkimer
Town of White Creek	Capital District	Washington
Village of Babylon	Long Island	Suffolk
Village of Bainbridge	Southern Tier	Chenango
Village of Ballston Spa	Capital District	Saratoga
Village of Brushton	North Country	Franklin
Village of Buchanan	Mid-Hudson	Westchester
Village of Cambridge	Capital District	Washington
Village of Canton	North Country	St. Lawrence
Village of Clayville	Mohawk Valley	Oneida
Village of Delhi	Southern Tier	Delaware
Village of Fabius	Central NY	Onondaga
Village of Franklin	Southern Tier	Delaware
Village of Johnson City	Southern Tier	Broome
Village of Lawrence	Long Island	Nassau
Village of Medina	Finger Lakes	Orleans
Village of Millport	Southern Tier	Chemung
Village of Mount Kisco*	Mid-Hudson	Westchester
Village of Owego	Southern Tier	Tioga
Village of Prospect	Mohawk Valley	Oneida
Village of Pulaski	Central NY	Oswego
Village of Sherman	Western NY	Chautauqua
Village of Sleepy Hollow	Mid-Hudson	Westchester
Village of Walton	Southern Tier	Delaware
Village of West Winfield	Mohawk Valley	Herkimer

**Source:** OSC. Three coterminous town-villages that file only as villages are not listed here.  
 \* Coterminous town-village that has not filed as a town or village.

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