



Office of the NEW YORK STATE

COMPTROLLER

Fiscal Stress Monitoring System Results for Municipalities: Common Themes for Fiscal Year 2017

New York State Comptroller
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Overview

The Office of the New York State Comptroller's (OSC's) Fiscal Stress Monitoring System (FSMS) calculates and publishes a fiscal stress score for each county, city, town, village and school district.¹ Scores are based on data already reported to OSC and reflect each local government's ability to maintain budgetary solvency.²

In addition to a fiscal stress score, FSMS uses data from the census and other sources to assign each local government an environmental score. This provides additional context for the fiscal stress score by focusing on external pressures that can drive costs or affect revenues, such as high poverty rates or a shrinking tax base.

In both cases, points are assigned based on a set of individual indicators and combined to calculate one overall fiscal stress score and one overall environmental score. Higher scores reflect higher levels of stress for each. Based on their stress score, municipalities can fall into one of three stress categories: susceptible, moderate, or significant.

This report summarizes the fiscal and environmental results of all 1,589 New York counties, cities, towns and villages for their fiscal years ending (FYE) in 2017.³

These FYE 2017 scores also reflect recent enhancements to the System—enhancements informed by several years of OSC's operational experience, feedback from various stakeholders and a 75-day public comment period. The modifications increase the System's effectiveness and utility, providing a stronger foundation for officials to discuss results within their local communities. For more information about the specific changes, visit: www.osc.state.ny.us/localgov/fiscalmonitoring/help.htm.

Quick Facts for Municipalities

97.5 Percent of local governments are not in a fiscal stress category.

37 Local governments were classified in one of the three fiscal stress categories.

17.9 Percent of counties were in some level of fiscal stress — the most for any class.

Long Island and the Mid-Hudson Regions had the largest proportions of local governments in a fiscal stress category.

All local governments in fiscal stress had low fund balances.

Fiscal Stress Results

Based on FYE 2017 financial data filed with OSC by local officials, most local governments (almost 98 percent of those that filed) are not in a stress category.⁴ (See Figure 1.) However, a “no designation” rating does not imply a complete absence of fiscal stress. Local officials should review their FSMS results carefully, including performance on individual indicators, to identify potential risk areas.

Figure 1

All Counties, Cities, Towns and Villages
Fiscal Stress Designation, FYE 2017

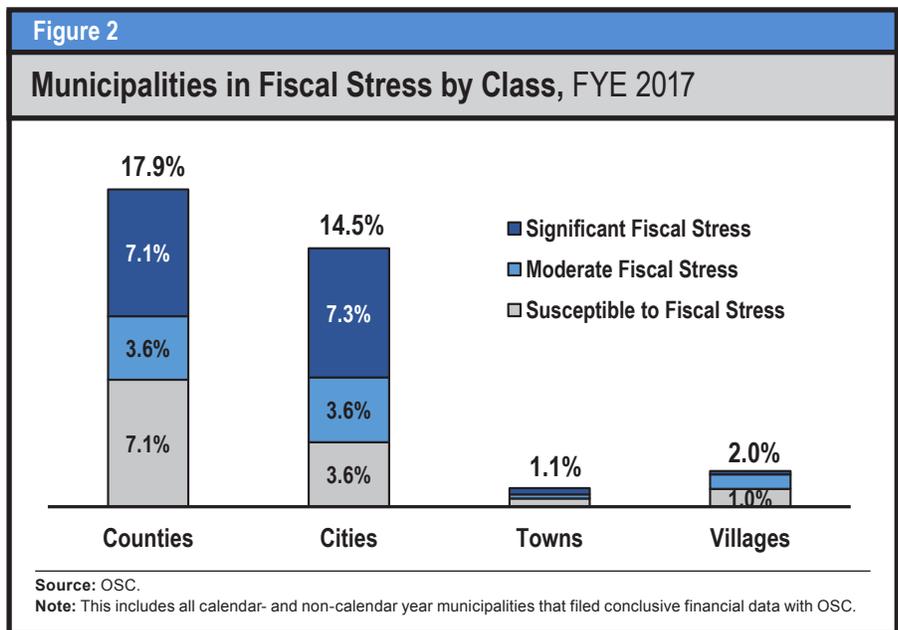
| | Number | Percentage (entities scored) |
|--------------------------------------|--------------|------------------------------|
| Significant Fiscal Stress | 12 | 0.8% |
| Moderate Fiscal Stress | 10 | 0.7% |
| Susceptible to Fiscal Stress | 15 | 1.0% |
| Total with Stress Designation | 37 | 2.5% |
| No Designation | 1,427 | 97.5% |
| Total Filed and Scored | 1,464 | 100.0% |

| | Number | Percentage (all entities) |
|---------------------------|--------------|---------------------------|
| Filed and Scored | 1,464 | 92.1% |
| Not Filed or Inconclusive | 125 | 7.9% |
| Total All Entities | 1,589 | 100.0% |

Source: Office of the State Comptroller (OSC).
Note: This includes all calendar-year and non-calendar-year municipalities.

Class

Of the local governments that received a score, counties and cities continue to be much more likely than towns and villages to be designated in a fiscal stress category. (See Figure 2.) Ten counties (18 percent) and 8 cities (almost 15 percent) were found to be in some level of fiscal stress. In contrast, only 9 of 857 towns (1 percent) and 10 of 496 villages (2 percent) scored were in fiscal stress.



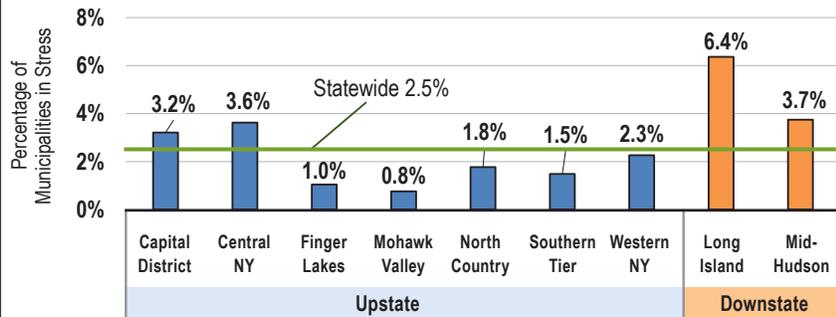
Region

Fiscal stress varies by region. Local governments located downstate were more likely to be in a fiscal stress category. In the Long Island Region, 6.4 percent of all scored municipalities were in a fiscal stress category, as were 3.7 percent of Mid-Hudson municipalities. (See Figure 3.)

Outside of the downstate regions, Central New York (3.6 percent) and the Capital District (3.2 percent) had the highest rates of fiscal stress. Fiscal stress was least prevalent in the Mohawk Valley Region, with only one entity designated in a stress category—the Town of German Flatts.

Figure 3

Municipalities in a Fiscal Stress Category, by Region, FYE 2017



Source: OSC.

Note: This includes all calendar- and non-calendar year municipalities that filed conclusive financial data with OSC.

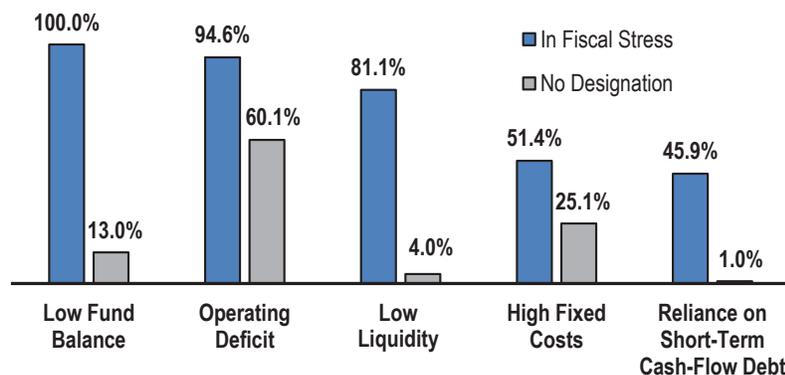
Common Fiscal Themes

As noted above, the fiscal score is based on several broad indicators meant to measure a local government's ability to maintain budgetary solvency. In order to be designated in a fiscal stress category, an entity must show signs of stress on multiple fiscal indicators. Thus, although all fiscally stressed local governments received points for low fund balance, they were likely to overlap on a few other indicators as well. Most fiscally stressed entities,

for example, had operating deficits and many had low liquidity. Fewer had a significant reliance on using short-term debt for cash flow purposes. However, only 1 percent of the "No Designation" entities issued short-term debt for cash flow. (See Figure 4.)

Figure 4

Prevalence of Fiscal Stress Indicator by Designation, FYE 2017



Source: OSC.

Note: This includes all calendar- and non-calendar year municipalities that filed conclusive financial data with OSC.

As noted earlier, certain indicators were refined this year, including which funds are analyzed and how operating deficits and budget notes are treated. For more information, please see: www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/system-enhancements-local-governments.pdf.

Environmental Stress Results

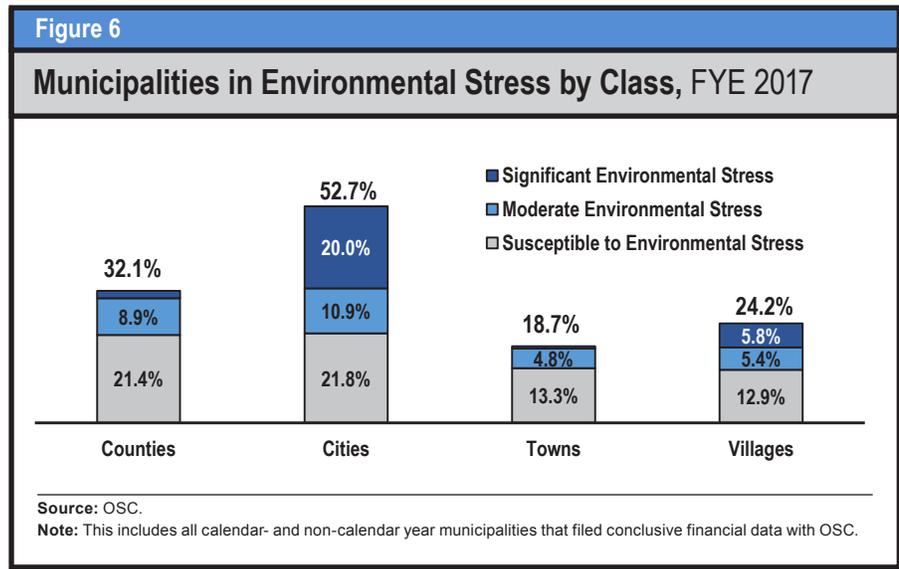
Economic, demographic and social factors can pose challenges that make it more difficult for a local government to avoid fiscal stress. FSMS environmental indicators help highlight some of the external issues challenging individual communities, many of which are outside of local government officials' control. These include measures such as population or property value decline, poverty, unemployment and household income.⁵

| Figure 5 | | |
|--|---------------|--|
| All Counties, Cities, Towns and Villages | | |
| Environmental Stress Designation, FYE 2017 | | |
| | Number | Percentage (entities scored) |
| Significant Environmental Stress | 46 | 3.1% |
| Moderate Environmental Stress | 79 | 5.4% |
| Susceptible to Environmental Stress | 202 | 13.8% |
| Total with Stress Designation | 327 | 22.3% |
| No Designation | 1,137 | 77.7% |
| Total Filed and Scored | 1,464 | 100.0% |
| | Number | Percentage (all entities) |
| Filed and Scored | 1,464 | 92.1% |
| Not Filed or Inconclusive | 125 | 7.9% |
| Total All Entities | 1,589 | 100.0% |
| <small>Source: OSC.</small> | | |
| <small>Note: This includes all calendar-year and non-calendar-year municipalities.</small> | | |

OSC designated 327 local governments (22.3 percent of municipalities scored) in an environmental stress category. Most of these (202) were in the susceptible to environmental stress category. However, 46 entities were classified as being in significant environmental stress. As part of the enhanced system, OSC makes available a detailed, easy-to-understand breakdown of each entity's environmental score. This new presentation of data, along with streamlining the number of environmental indicators, will help facilitate local government officials' efforts to highlight specific contributors to stress in their local communities. (See Figure 5.)

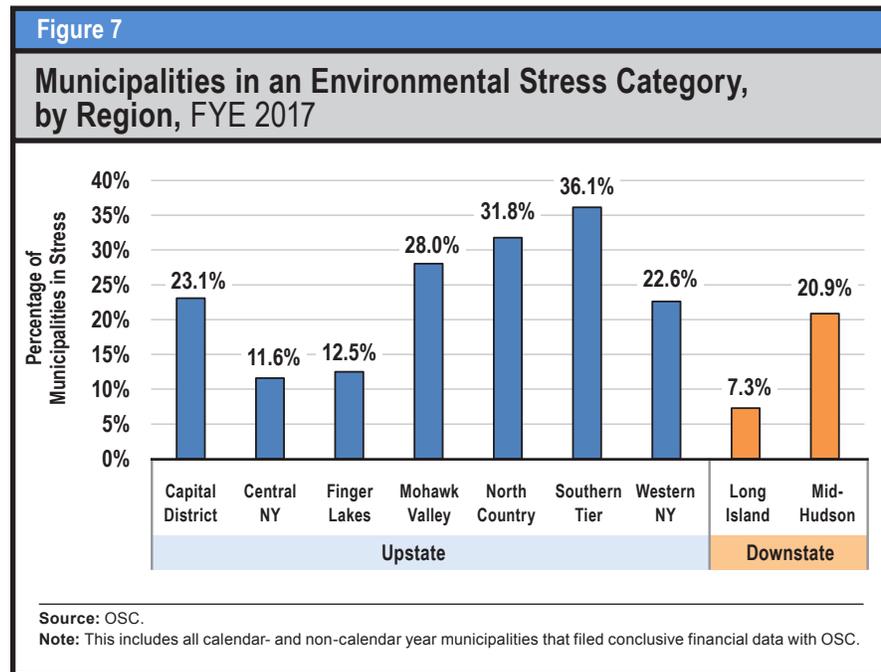
Class

For each class of government, more localities were found to be in one of the environmental stress categories than were identified as fiscally stressed. However, as was the case with fiscal stress, counties and cities were more likely to show signs of environmental stress—over half of cities were in an environmental stress category. (See Figure 6.)

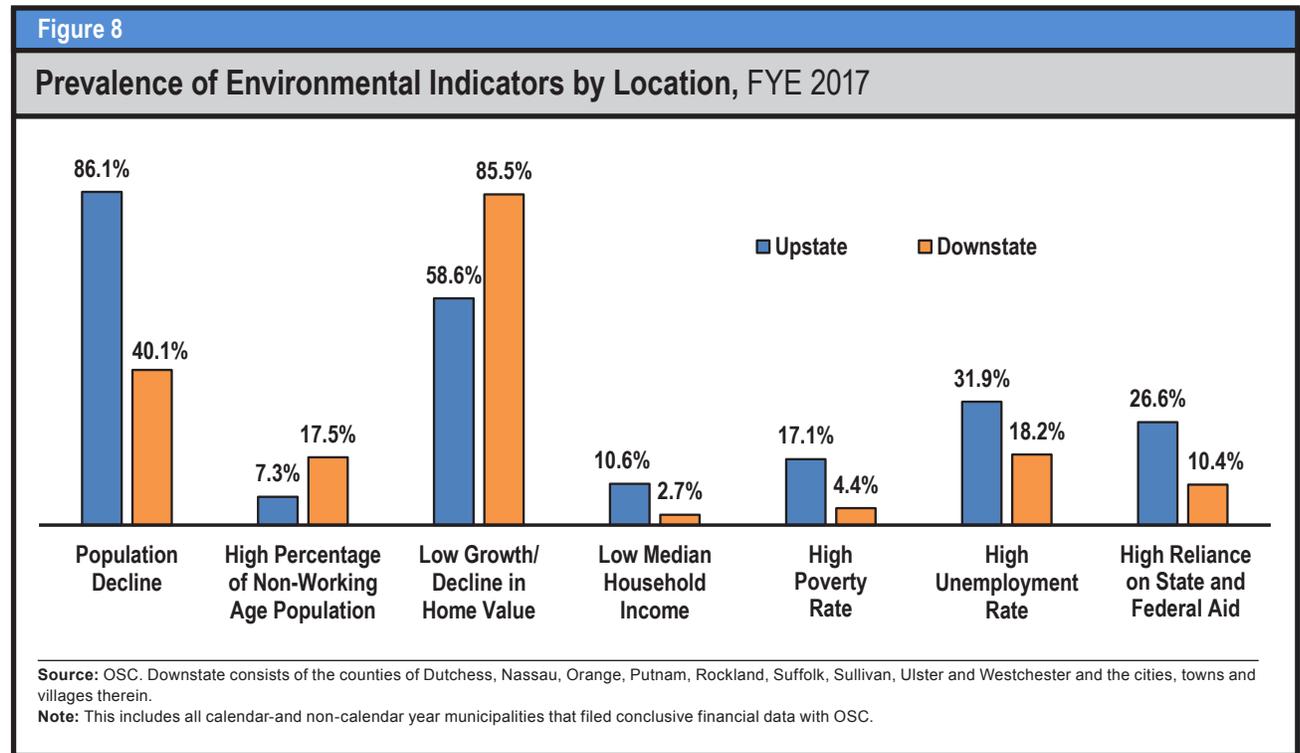


Region

Although local governments located downstate were more likely to be in fiscal stress, upstate local governments were more likely to show signs of environmental stress, particularly in the North Country and the Southern Tier regions. Long Island had the lowest rate of environmental stress, despite having the highest rate of fiscal stress. (See Figure 7.)



When examining individual environmental indicators, it is clear that local governments located upstate face different challenges compared to downstate localities. Upstate local governments were more likely to experience population loss, high levels of poverty and unemployment. Downstate local governments experienced lower growth or declines in recent home values and had a higher proportion of non-working age residents who might require additional services, such as public transportation and healthcare. (See Figure 8.)



Non-Filers and Inconclusive Data

Local governments have up to 120 days after the close of their fiscal year to file their annual financial reports with OSC. The information provided in these reports is the foundation of FSMS scores.⁶ OSC also produces scores for local governments that file their reports late (up to eight months after the end of the fiscal year). In some instances, however, local governments filing within this eight-month window may have submitted data that is not sufficiently complete to enable OSC to calculate a fiscal stress score. These filings are classified as “inconclusive” at the time of the FSMS review.

| Figure 9 | | | | | |
|--|--|---|---|--|--|
| Number of Years That Local Governments Have Not Filed Conclusive Financial Data in Time for a Fiscal Stress Score, (FYE 2013 to 2017) | | | | | |
| 5 Years | | | | | |
| Cities | Towns | | | Villages | |
| Amsterdam Gloversville | Baldwin Bridgewater Carroll Davenport Dresden East Otto Ephratah | Exeter Florence Frankfort Fremont* Inlet Mayfield Milford | Morehouse New Hudson Pharsalia Seneca Stratford | Bainbridge Ballston Spa Buchanan Canton Delhi Fabius Lawrence | Mount Kisco Owego Pulaski Walton West Winfield |
| 4 Years | | | | | |
| Cities | Towns | | | Villages | |
| Elmira Rensselaer | Alfred Bovina Chesterfield Edmeston | Lyndon Oxford Ramapo Schroepfel | Ticonderoga Urbana Willing | Canastota Remsen Saugerties Sleepy Hollow | Spring Valley Valatie |
| 3 Years | | | | | |
| Cities | Towns | | | Villages | |
| Salamanca | Hume Milton Otselic | Springfield Troupsburg | | Castorland Fleischmanns Middleville | Victory Village of The Branch |
| 2 Years | | | | | |
| Cities | Towns | | | Villages | |
| Mount Vernon | Beekman Bradford Dix Geddes Knox | Lisbon Middletown Montague Palermo Salem | Shandaken Sheridan St. Armand Thompson | Alfred Bemus Point Bloomingburg Cobleskill Cuba | Huntington Bay Mastic Beach Piermont Windsor |
| 1 Year | | | | | |
| Counties | Towns | | | Villages | |
| Cortland | Bennington Boonville Brasher Cato Crown Point Decatur Edinburg German | Hannibal Ithaca Lyons Mexico Monroe Owego Putnam Scio | Shelby Sodus Steuben Taylor Thurman Westford Woodhull | Almond Barneveld Elmsford Fishkill Gilbertsville Hannibal Margaretville Nelliston | North Collins Panama Port Leyden |
| <p>Source: OSC.</p> <p>Note: This list does not include two coterminous town-villages (Scarsdale and East Rochester) that reported only as villages in 2017. The coterminous Mount Kisco, listed here as a village, did not file as either a town or a village.</p> <p>* This represents the Town of Fremont located in Sullivan County.</p> | | | | | |

For FYE 2017, 124 local governments failed to file data with OSC, while one local government filed data that OSC found to be inconclusive. Further, 33 local governments did not file in time to receive a score in any of the five years that the system has been in place. By failing to report data in a timely fashion, these local governments avoid being scored, thereby undermining transparency and calling into question the nature of their own internal operations. (See Figure 9.)

As of the date of this publication, 101 of the 124 non-filers have yet to file their 2017 required reports, undermining the ability of this office to oversee local finances and ensure accountability to taxpayers.

Conclusion

Although many local governments face various fiscal challenges, only 37 of 1,464 local governments scored have been designated as being in fiscal stress for FYE 2017. However, for these few, and for many others that are close to a stress designation, close monitoring and remediation are vital.

The new enhanced System should help with this process, both by being even more effective at identifying where stress is a concern and by providing more information to help local officials get started in addressing the situation. The new detailed environmental indicator reports, especially, provide easy-to-understand facts to bolster important conversations about the susceptibility to fiscal stress locally. In combination with the other indicators, local government officials can use their FSMS scores internally and in conversations with residents during decision-making.

In addition to FSMS, OSC provides information to help local government officials chart a course out of stress and to avoid it in the future, including training (in-person and web-based), printed guidance materials and a variety of online tools, including spreadsheet templates.⁷ Multiyear planning is often particularly useful, since there is no quick fix for fiscal stress.⁸ The State's Financial Restructuring Board for Local Governments has funding available to help eligible municipalities engage in multiyear planning with the assistance of an external advisor.⁹

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 standing in FSMS. This knowledge is essential as budgeting and operating choices are being deliberated.

Notes

- ¹ FSMS excludes New York City. For more information on FSMS indicators and scoring, see OSC, *Fiscal Stress Monitoring System Manual*, November 2017, available at: www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/system-manual.pdf.
- ² In this report, the 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, towns, villages and the 61 cities not including New York City, regardless of whether their fiscal year is the same as the calendar year. FSMS scores school districts separately. For more information on FSMS, see OSC's FSMS webpage: www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm.
- ³ In conjunction with this report, OSC released fiscal year end (FYE) 2017 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, 44 cities and 10 villages — a total of 1,043 municipalities. Earlier this year, OSC released FYE 2017 scores for another 17 cities and 529 villages that operate on a fiscal year that does not coincide with the calendar year. In January 2018, OSC released FSMS scores for school districts with an accompanying report: see OSC, *Fiscal Stress in School Districts: Common Themes for School Year 2016-17*, January 2018, available at: www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/common-themes-for-school-year-2016-17.pdf.
- ⁴ Unless otherwise described, this report refers to the annual totals for calendar-year and non-calendar year municipalities that filed conclusive financial data with OSC. For example, totals do not include municipalities that did not file or those that are designated as inconclusive. Three coterminous town-villages report only as villages and therefore will appear here as non-filing towns.
- ⁵ The enhanced system updated the data sources used to calculate each environmental indicator and removed certain indicators completely. For additional information, see *FSMS: System Enhancements for Counties, Cities, Towns and Villages*, November 2017, www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/system-enhancements-local-governments.pdf.
- ⁶ New York State 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 accessible at: www.osc.state.ny.us/localgov/finreporting/deadlines.htm.
- ⁷ For OSC training opportunities, see OSC's The Academy for New York State's Local Officials webpage, accessible at: www.osc.state.ny.us/localgov/academy/index.htm.
- ⁸ OSC, Local Government Management Guide, *Multiyear Financial Planning*, updated September 2017, www.osc.state.ny.us/localgov/pubs/lgm/multiyear.pdf.
- ⁹ For more information on the Financial Restructuring Board for Local Governments, see frb.ny.gov.

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