

New York State Office of the State Comptroller

Thomas P. DiNapoli • State Comptroller



Fiscal Stress Monitoring System

February 2014

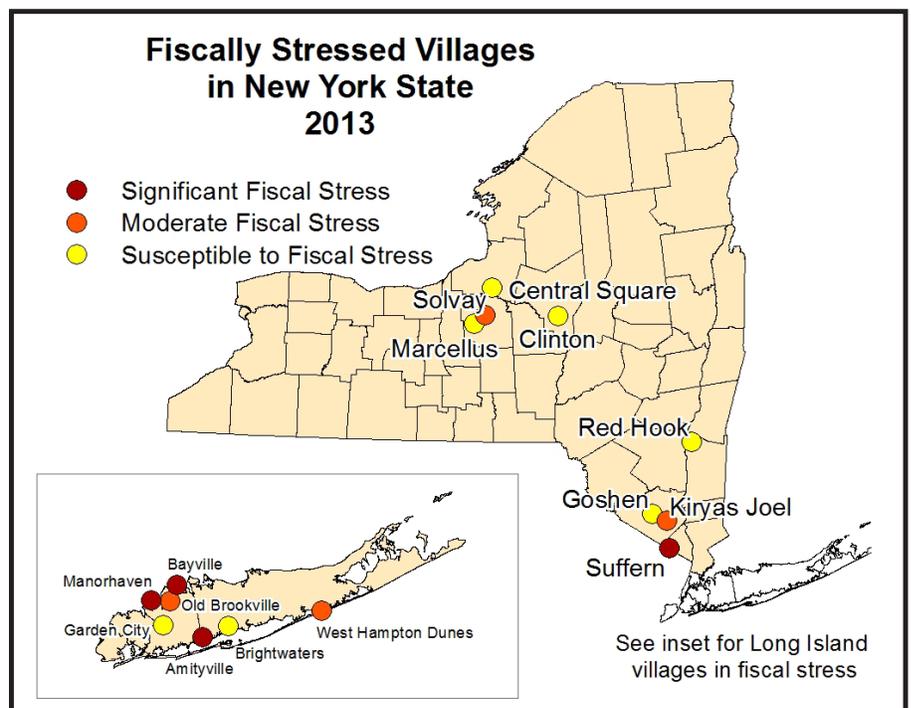
2013 Fiscal Stress Summary Results for Villages

New York State's local governments are facing a difficult fiscal situation – one that demands continued excellence in delivering services, in the face of declining revenues and increasing costs. This can be a challenging equation for local officials. In recognition of this fiscal reality, the Office of the State Comptroller (OSC) has developed a Fiscal Stress Monitoring System designed to identify municipalities and school districts that are confronting serious financial difficulties in order to encourage communities to take action to strengthen their fiscal position.

Villages by Fiscal Stress Designation - 2013		
(Excludes villages with a fiscal year ending in July or December)		
	Number	Percentage
Significant Fiscal Stress	4	0.7%
Moderate Fiscal Stress	4	0.7%
Susceptible to Fiscal Stress	7	1.3%
No Designation	467	87.3%
Not Filed/Inconclusive	51	9.5%
Dissolved	2	0.4%
Total	535	100.0%

The Monitoring System, which acts as an early warning system, evaluates local governments on 23 financial and environmental indicators and creates an overall fiscal stress score, as well as an environmental stress score, for each locality. Over the past year, OSC has issued fiscal stress scores for calendar year local governments (counties, cities, towns and some villages) and school districts. Under the Monitoring System, there are three classifications of stress – significant, moderate and susceptible. Those local governments that do not accumulate the number of points necessary for placement in one

of the stress categories are classified as “no designation.” This report summarizes the findings for 482 of the State's 551 villages, focusing on common themes and statewide trends.¹



Overall Findings

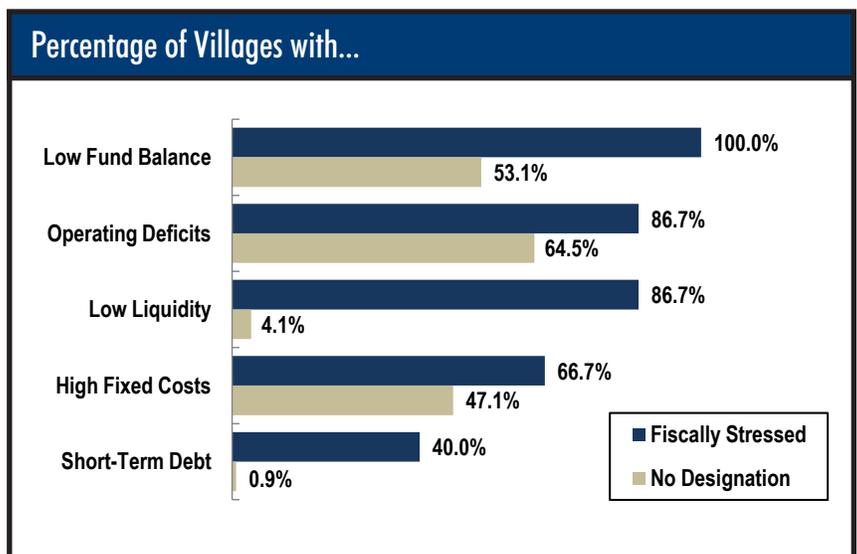
- Few villages are exhibiting signs of fiscal stress. Of the villages included in this analysis, with scores based on 2013 data, 15 (3 percent) are in some degree of fiscal stress: four of these villages face significant fiscal stress, four are considered to be in moderate fiscal stress, and seven are rated as susceptible to fiscal stress.
- By comparison, results for local governments with a fiscal year ending on December 31, 2012 showed that one-quarter of counties and 11 percent of cities were experiencing some degree of fiscal stress, while 2 percent of towns were in fiscal stress.
- Of those villages in stress, more were located downstate (in Long Island and the Mid-Hudson Region) than upstate (7.4 percent compared to 1.2 percent).

Common Fiscal Themes

- Comparing fiscally stressed villages to those with “no designation” shows that all fiscally stressed villages struggle with low fund balance, and nearly all (86.7 percent) have operating deficits. Since these are the most heavily weighted indicators in the fiscal stress calculation, this is not surprising. However, more than half of the “no designation” villages also suffer from low fund balance and nearly two-thirds have difficulties with operating deficits.

- Low liquidity and short-term debt are much more common among fiscally stressed villages than among “no designation” villages. Thirteen of the 15 fiscally stressed villages experienced low liquidity (86.7 percent), compared to only 4.1 percent of the other villages. Similarly, 40 percent of the fiscally stressed villages repeatedly relied on short-term debt, in contrast to less than 1 percent of other villages.

- Fixed costs (personal services and employee benefits as a percentage of revenues and debt service as a percentage of revenues) are somewhat higher among fiscally stressed villages. Two-thirds of fiscally stressed villages scored high on at least one of these two indicators, compared to fewer than half (47.1 percent) of villages with no designation.



Selected Fiscal Indicators for Villages by Location and 2013 Fiscal Stress Status

(Medians Based on 2013 Unscored Indicator Values)

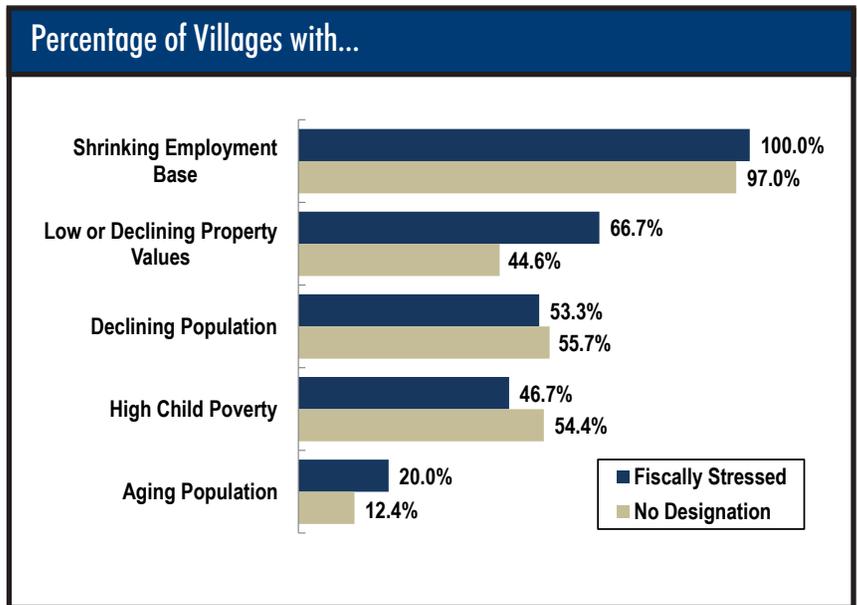
Indicator	Downstate			Upstate			Grand Total
	Median, Fiscally Stressed	Median, No Designation	Median Downstate	Median, Fiscally Stressed	Median, No Designation	Median Upstate	Statewide
Number of Villages	11	138	149	4	329	333	482
General Fund Assigned and Unassigned Fund Balance as a Percentage of General Fund Expenditures	2.0%	23.1%	22.4%	4.4%	31.5%	31.1%	26.4%
Total General Fund Balance as a Percentage of Expenditures	2.0%	32.2%	29.6%	5.9%	53.9%	53.0%	43.8%
Operating Deficit as a Percentage of Expenditures	-0.6%	3.8%	3.4%	-0.6%	3.8%	3.7%	3.6%
Personal Services and Employee Benefits as a Percentage of Net Revenues (3-year Average)	46.0%	48.0%	47.7%	42.2%	36.3%	36.4%	38.2%
Debt Service as a Percentage of Net Revenues (3-year Average)	9.5%	7.2%	7.6%	12.9%	9.4%	9.6%	8.4%

Note: To view the complete list of fiscal and environmental indicators, indicator definitions and scoring procedures, please visit our website at: www.osc.state.ny.us/localgov/pubs/fiscalmonitoring/pdf/fiscalstressmonitoring2013.pdf.

- Fiscal stress indicators seem to vary between upstate and downstate. In general, downstate villages tend to have lower fund balances than upstate villages. However, as might be expected, both downstate and upstate villages experiencing fiscal stress tend to have much lower fund balances than other villages.
- Operating deficits as a percentage of expenditures do not appear to vary much by geographic location. The upstate and downstate median operating deficits for all villages are between 3 and 4 percent. Both downstate and upstate villages in fiscal stress have median operating deficits of -0.6 percent.
- Fiscally stressed villages spend somewhat more on debt service than other villages. Villages overall tend to have higher debt service costs (measured as a percentage of net revenues) than counties or towns (but not cities).²

Common Environmental Indicators

- Although villages in fiscal stress rate highly on many environmental stress indicators, they do not always differ dramatically from villages that have no stress designation. For example, nearly all villages are struggling with high unemployment and job losses and more than half are experiencing population loss.
- Similarly, although about half of all villages were flagged on indicators of above average or growing child poverty rates, the difference between stressed villages and those with no designation was minimal, and stressed villages rated slightly lower in this regard.



- Fiscally stressed villages differ most from those with no designation with respect to property value: two-thirds of fiscally stressed villages have low and/or declining property values (measured as a trend in full value and full value per capita) compared to fewer than half (44.6 percent) of villages with no designation. This is mostly a downstate occurrence, reflecting the large housing “bubble” of the early 2000s and steeper subsequent declines.
- More stressed villages are facing increases in average age or have a median age of 50 or older than those without designations.

On the whole, the environmental factors thought to drive fiscal stress differ for upstate and downstate villages:

- Downstate villages overall are gaining population, while upstate villages are losing population. However, downstate villages in fiscal stress are growing more slowly than other downstate villages.
- The median child poverty rate for upstate villages is more than four times higher than the rate for downstate villages. Among fiscally stressed villages, however, downstate villages have a higher median child poverty rate than upstate villages (5.2 percent compared to 2.8 percent). The child poverty rate is increasing among downstate fiscally stressed villages and decreasing among upstate fiscally stressed villages. Statewide, the median for percentage change in the child poverty rate for villages remained almost flat (a 0.4 percent increase).

Selected Environmental Indicators for Villages by Location and 2013 Fiscal Stress Status

(Medians Based on 2013 Unscored Indicator Values)

Indicator	Downstate			Upstate			Grand Total
	Median, Fiscally Stressed	Median, No Designation	Median Downstate	Median, Fiscally Stressed	Median, No Designation	Median Upstate	Statewide
Number of Villages	11	138	149	4	329	333	482
Change in Population 1990 to 2000	1.1%	4.6%	4.6%	-1.1%	-3.4%	-3.4%	-1.3%
Change in Population 2000 to 2010	0.9%	1.0%	1.0%	-0.6%	-2.1%	-2.0%	-1.4%
Child Poverty Rate	5.2%	3.5%	3.5%	2.8%	15.4%	15.4%	11.3%
Change in Child Poverty Rate, 2000 to 2010	2.2%	-0.1%	0.0%	-6.5%	1.9%	1.4%	0.4%
Change in Full Value (4-yr Average)	-3.9%	-3.8%	-3.8%	1.4%	1.9%	1.9%	1.0%
Full Value per Capita, 2013	\$128,059	\$181,239	\$168,046	\$53,826	\$40,997	\$41,089	\$47,637
Unemployment Rate (County), 2012	7.6%	7.1%	7.1%	8.4%	8.6%	8.6%	8.3%
State and Federal Aid as a Percentage of Revenues (4-yr Average)	4.4%	4.9%	4.9%	2.8%	4.6%	4.6%	4.6%
Change in State and Federal Aid, 2012 to 2013	7.8%	5.8%	6.4%	-8.8%	-0.8%	-0.8%	1.0%

Note: Not all villages have data for all environmental indicators. To view the complete list of fiscal and environmental indicators, indicator definitions and scoring procedures, please visit our website at: www.osc.state.ny.us/localgov/pubs/fiscalmonitoring/pdf/fiscalstressmonitoring2013.pdf.

- Downstate village property values are falling, while upstate values are rising slightly. Fiscally stressed villages differ little from other villages on this metric. However, downstate fiscally stressed villages tend to have less property wealth (full value per capita) than other downstate villages, while upstate villages in stress tend to be wealthier by this measure.
- Federal and State aid account for a relatively small amount of most village revenues. The statewide median is 4.6 percent of total revenue (measured as a four-year average).

Conclusion

As expected, villages in stress share many fiscal commonalities, including low fund balances and poor cash position, chronic deficits and use of short-term debt to bridge cash flow gaps. Although relatively few villages are designated “in stress,” many villages that have not been so designated rate highly on one or more of these indicators, especially downstate.

The environmental factors that lead to this stress may be different, however, as indicated by the differences between upstate and downstate villages. First of all, most villages in stress are downstate. The environmental factors driving stress downstate appear to be more related to their relatively low property wealth and relatively high poverty rates compared with other neighboring villages. In contrast, the few fiscally stressed upstate villages tend to have greater property value and lower child poverty rates than other upstate villages.

Notes

- ¹ This analysis includes all villages with fiscal years ending February 28, 2013 through May 31, 2013 for which OSC had complete data. Not included are 48 villages that did not file their Annual Financial Reports on time, three villages that did not receive a score because their data were inconclusive, and two – Altmar (Oswego County) and Edwards (St. Lawrence County) – that have dissolved. In addition, 16 villages are excluded because their fiscal years end in July or December. The 2013 fiscal stress ratings for these villages will be available later this year.
- ² OSC, *Fiscal Stress Monitoring Summary Results: Common Themes for Local Governments with Fiscal Years Ending December 31, 2012* (September 2013): <http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/StressSummaryResults.pdf>.



New York State Office of the State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor • Albany, New York 12236

www.osc.state.ny.us

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