



Office of the NEW YORK STATE

COMPTROLLER

Fiscal Stress Monitoring System Results for Municipalities: Common Themes for Fiscal Year 2018

New York State Comptroller
THOMAS P. DiNAPOLI

SEPTEMBER 2019

Overview

The Fiscal Stress Monitoring System (FSMS) created by the Office of the New York State Comptroller (OSC) calculates and publishes a fiscal stress score annually 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, OSC uses data from the U.S. 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.

Points are assigned based on a set of individual indicators and combined to calculate one overall fiscal stress score and one overall environmental score. In each case, a higher score reflects a higher level of stress. Based on their stress score, municipalities can fall into one of three stress categories — susceptible, moderate, or significant — or OSC may assign no designation.³

This report summarizes the fiscal and environmental results of all 1,586 New York counties, cities, towns and villages for their fiscal years ending (FYE) in 2018 and compares results to FYE 2017.⁴ It also points to useful tools to help local governments experiencing stress, such as multiyear financial planning to ensure that financial resources are available for future needs.⁵

These FYE 2018 scores reflect enhancements to the System now in their second year, making them directly comparable to FYE 2017 scores. For more information about the specific changes, visit: www.osc.state.ny.us/localgov/fiscalmonitoring/help.htm.

Quick Facts for Municipalities

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

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

22.6 Percent of scored cities were in fiscal stress, up from 14.5 percent in 2017.

139 Local governments did not file their 2018 required reports in time to receive a fiscal stress score, the largest number since the creation of FSMS.

Long Island and the Mohawk Valley Regions had the largest proportions of local governments in a fiscal stress category.

Local governments in fiscal stress had a number of indicators in common: all had low fund balance and most also had low liquidity.

Fiscal Stress Results

Based on financial data filed with OSC by local officials, OSC found 35 local governments to be in one of the levels of fiscal stress in FYE 2018, with 12 being in significant stress — the highest category.⁶ (See Figure 1.) And while these 35 amount to only 2.4 percent of all municipalities scored in 2018, they included localities where a large number of New Yorkers reside, such as Nassau and Suffolk counties and the cities of Yonkers and Albany. Nearly 6 million people — just over half the population outside of New York City — live in at least one (and sometimes more than one) local government that may be struggling to provide its residents and businesses with services while balancing its budget.

As a class, cities were the most likely to be in fiscal stress in FYE 2018. Almost 23 percent (12 out of 53 cities scored) were designated in some level of fiscal stress, up from 14.5 percent (8 of 55 scored) designated in stress in FYE 2017. Cities were also more likely to be in significant fiscal stress.

Counties also had a relatively high rate of stress, with just over 14 percent (8 of the 56 counties scored) found to be in some level of fiscal stress in FYE 2018. However, this is a decrease from the nearly 18 percent (10 of 56 scored) in fiscal stress in FYE 2017.

Only 7 of 853 towns scored (less than 1 percent) and 8 of 485 villages scored (less than 2 percent) were in fiscal stress, which is similar to FYE 2017 results.

Most local governments (almost 98 percent of those that filed) were not in any stress category. However, a “no designation” rating does not necessarily indicate 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

Fiscal Stress Designation by Class, Fiscal Years Ending (FYE) 2017 and 2018

Stress Designation	By Class								Total	
	Counties		Cities		Towns		Villages			
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Significant Stress	4	3	4	5	3	3	1	1	12	12
Moderate Stress	2	1	2	1	2	1	4	3	10	6
Susceptible to Stress	4	4	2	6	4	3	5	4	15	17
Total in Stress	10	8	8	12	9	7	10	8	37	35
No Designation	46	48	47	41	848	846	486	477	1,427	1,412
Total Filed and Scored	56	56	55	53	857	853	496	485	1,464	1,447
Percentage of Scored Entities In Stress	17.9%	14.3%	14.5%	22.6%	1.1%	0.8%	2.0%	1.6%	2.5%	2.4%
Not Filed or Inconclusive	1	1	6	8	75	79	43	51	125	139
Total All Entities	57	57	61	61	932	932	539	536	1,589	1,586

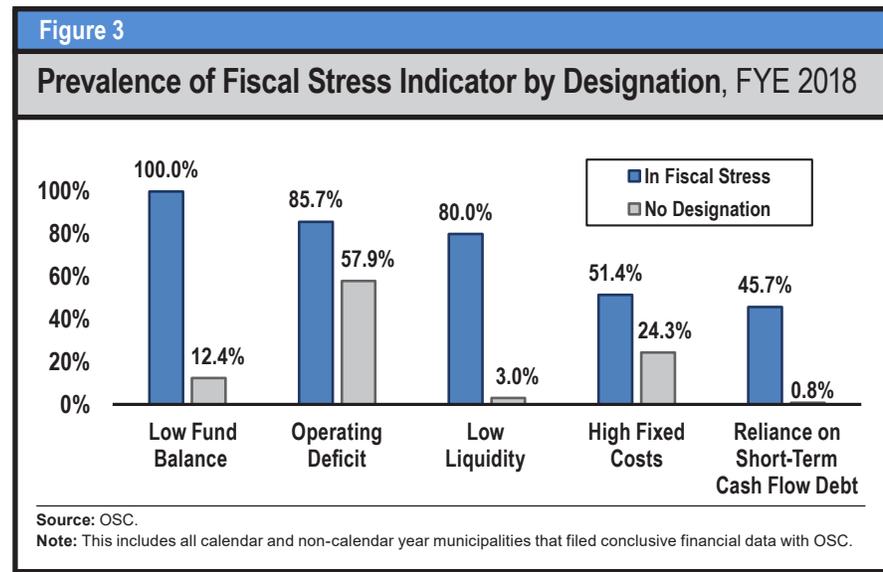
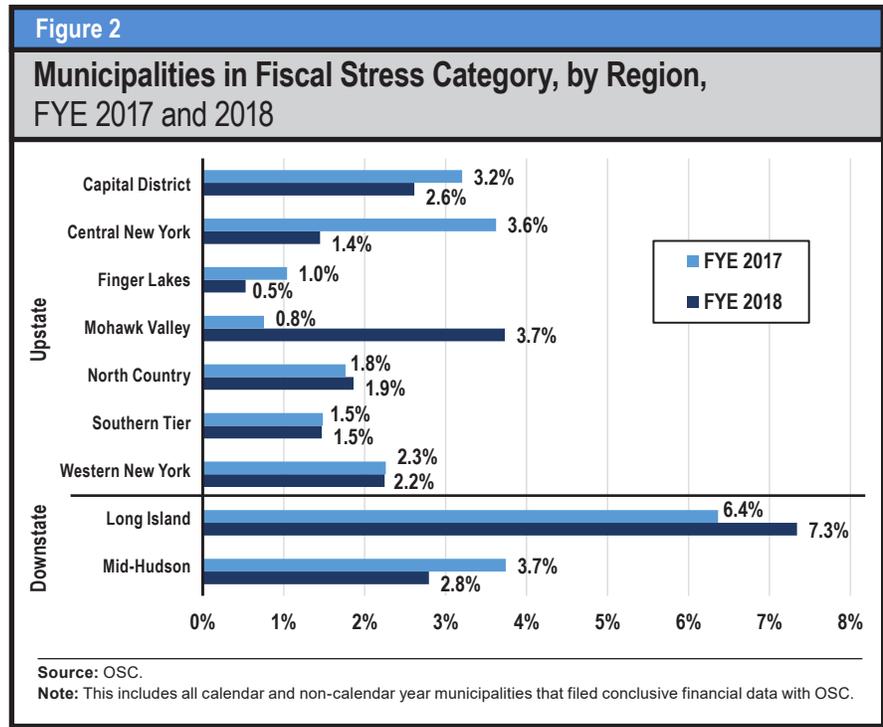
Source: Office of the State Comptroller (OSC).
Note: Excludes New York City; includes all other calendar and non-calendar year municipalities. The villages of Barneveld (Oneida County), Cherry Creek (Chautauqua County), and Mastic Beach (Suffolk County) officially dissolved and have been excluded from the FYE 2018 FSMS.

One issue of concern this year is the increased number of local governments that did not file their financial data with the Comptroller in time to be included in the fiscal stress scores. In particular, the number of late-filing or non-filing cities rose from six to eight, leaving over 13 percent of all cities without a fiscal stress score for FYE 2018. Overall, more than one million people reside in a local government that failed to file financial data with OSC for FYE 2018.

Regionally, fiscal stress continued to be particularly prevalent on Long Island in FYE 2018, where 8 of 109 local governments scored were in a stress category. It was also relatively high in the Mohawk Valley in upstate New York, where 5 out of 134 local governments scored were designated as stressed in FYE 2018, compared with only 1 local government in FYE 2017. (See Figure 2.)

Fiscal stress was least prevalent in the Finger Lakes Region in FYE 2018, with only one entity designated in any stress category: Monroe County, which was in moderate fiscal stress.

As noted earlier, each local government’s fiscal score is based on several indicators meant to collectively measure budgetary solvency. All fiscally stressed local governments accumulated points for low fund balance as a percentage of their expenditures. Maintaining adequate fund balance levels gives local governments the ability to deal with revenue shortfalls and expenditure overruns. In addition, each stressed government received points for at least one other indicator as well. For example, most fiscally stressed entities had low liquidity, an issue that affected relatively few non-stressed entities. (See Figure 3).



Of Particular Concern

Repeatedly Stressed

Being in a stress category in any year should be a red flag for local government officials and citizens. Remaining in stress for multiple years is even more of a cause for concern. Of the 35 local governments in a stress designation in FYE 2018, 24 were in stress in FYE 2017. Of these, nine local governments were designated in the highest category – significant fiscal stress – in both years. These included the large downstate counties of Nassau, Suffolk and Westchester, as well as Nassau County’s City of Long Beach and Town of Oyster Bay. (See Figure 4.)

Figure 4		
Local Governments in Significant Fiscal Stress, FYE 2017 and 2018		
Name	Class	County
German Flatts	Town	Herkimer
Long Beach	City	Nassau
Nassau	County	Nassau
Niagara Falls	City	Niagara
Oyster Bay	Town	Nassau
Parish	Town	Oswego
Poughkeepsie	City	Dutchess
Suffolk	County	Suffolk
Westchester	County	Westchester

Source: OSC.

Large Increases in FSMS Score

Local governments with a substantial increase—over 30 percentage points—in their fiscal stress scores from FYE 2017 to 2018 also warrant close attention. Nine local governments had large score increases, and none of the localities had been designated in stress in FYE 2017. All but one received a fiscal stress designation in FYE 2018. These localities with large score changes tend to be smaller in size, and their budgets can be subject to greater impact from relatively small fluctuations in total dollar terms. However, local officials should be on the alert to determine if the stress designation is indicative of a longer-term trend. (See Figure 5.)

Figure 5						
Large Change in Fiscal Stress Scores, FYE 2017 and 2018 (Change of More than 30 Percentage Points)						
Name	Class	County	FYE 2017 Financial Designation	FYE 2018 Financial Designation	Percentage Point Change, FYE 2017 to FYE 2018	Gross Expenditures, FYE 2018
Major Increases in Fiscal Stress Score						
Islandia	Village	Suffolk	No Designation	Significant Fiscal Stress	51.2	\$4,737,492
Mentz	Town	Cayuga	No Designation	No Designation	40.8	\$1,445,636
Sackets Harbor	Village	Jefferson	No Designation	Susceptible to Fiscal Stress	40.8	\$1,536,663
Maybrook	Village	Orange	No Designation	Moderate Fiscal Stress	37.9	\$2,521,161
Fultonville	Village	Montgomery	No Designation	Susceptible to Fiscal Stress	34.6	\$592,267
West Turin	Town	Lewis	No Designation	No Designation	34.6	\$683,814
Phelps	Town	Ontario	No Designation	No Designation	34.2	\$983,079
Little Valley	Town	Cattaraugus	No Designation	Susceptible to Fiscal Stress	31.2	\$399,581
Oakfield	Town	Genesee	No Designation	No Designation	30.0	\$1,099,335

Source: OSC.

Entities New to FSMS Scores with High Stress

Two cities that had not filed in time to receive a score for several years—Amsterdam (in Montgomery County) and Elmira (in Chemung County)—were both found to be in significant fiscal stress for FYE 2018. This is the first time that Amsterdam has received a FSMS score; the last time Elmira received a score, for FYE 2013, it was not in a fiscal stress category.

No Score Possible

Finally, there are local governments that do not file their financial information with OSC in time to receive a FSMS score. Local officials may not know if they are in danger of financial crisis because they have not submitted their financial data in time for OSC to make a determination. As noted in previous publications, OSC makes the fiscal stress determinations using existing required filings. These financial reports are due within 120 days of the end of a local government's fiscal year.⁷ To be listed as "Not Filed" on OSC's fiscal stress list, a local government has to have failed to file financial data for at least eight months after the end of its fiscal year.⁸ This indicates a lack of commitment to financial transparency that is, by itself, concerning. In addition, an inability to file typical financial information in a timely matter can be indicative of poor fiscal management.

Some local governments have indicated that independent public accounting firms may not always produce municipal financial reports within the 120-day State deadline. However, localities are responsible for filing annual financial reports within the time frame governed by the General Municipal Law, irrespective of when their independent public accounting providers complete their work.

For FYE 2018, 139 local governments failed to file data with OSC in time to receive a fiscal stress score, including the cities of Ithaca, Syracuse and Newburgh, which had each filed in FYE 2017. Of particular concern are 25 other local governments that have not filed in time to receive a score in any of the six years that the system has been in place. (See Figure 6.)

Figure 6

Local Governments That Did Not File in Time to Receive a FYE 2018 Fiscal Stress Score, by Class and Number of Years Since Last Filing

Counties	Cities	Towns	Villages
6 Years			
		Baldwin Bridgewater Carroll Davenport Dresden Ephratah Exeter Florence Frankfort	Fremont* Inlet Mayfield Morehouse New Hudson Pharsalia Seneca
			Bainbridge Ballston Spa Buchanan Canton Delhi Mount Kisco Owego Pulaski West Winfield
5 Years			
	Rensselaer	Chesterfield Edmeston	Schroepfel Urbana
			Canastota Remsen Saugerties Spring Valley
4 Years			
		Lyndon Otselic	Ramapo Troupsburg
			Victory
3 Years			
	Mount Vernon Salamanca	Bovina Bradford Lisbon Montague	Palermo Salem Shandaken Willing
			Bemus Point Bloomingburg Cuba
2 Years			
Cortland		Alfred Cato Decatur Edinburg Geddes Ithaca Lyons Mexico Monroe Owego Oxford	Scio Sodus Springfield Steuben Taylor Thurman Westford Woodhull
			Almond Elmsford Fishkill Gilbertsville Nelliston North Collins Panama Piermont Port Leyden Sleepy Hollow Windsor
1 Year			
	Ithaca Johnstown Mechanicville Newburgh Syracuse	Almond Ballston Berkshire Bombay Carrollton Clare Covert** Elizabethtown Fenner Henderson Leyden Lindley Little Falls	Macedon Massena Ontario Osceola Pelham Pound Ridge Russell Rye Van Etten Walworth Washington White Creek
			Amityville Chatham Churchville Dering Harbor** Dolgeville Dryden Fort Edward Fort Johnson Hoosick Falls Hunter Irvington Lake Placid Larchmont
			Mannsville Massapequa Park Monticello Old Westbury Rensselaer Falls Saranac Lake Savona Solvay Washingtonville West Carthage

Source: OSC.

Note: This list uses FYE 2013 as a base year. It does not include two coterminous town-villages (Scarsdale and East Rochester) that reported only as villages in 2018. The coterminous Mount Kisco, listed here as a village, did not file as either a town or a village.

* This represents the Town of Fremont located in Sullivan County.

** This represents local governments that were in a fiscal stress category in FYE 2017.

Environmental Stress Results

Fiscal stress can have a number of causes, including poor financial management, which our system cannot measure. However, certain economic, demographic and social factors—all of which are largely outside of a local government’s direct control—can make it more difficult for a local government to avoid fiscal stress. The FSMS environmental indicators help highlight some of the external issues challenging individual communities. These include measures of population and property value decline, poverty rate, unemployment and median household income.⁹

In FYE 2018, 339 local governments (23.4 percent of municipalities scored) were designated in an environmental stress category, including more than half of the State’s cities. Nearly 43 percent of counties were also designated in environmental stress, up from 32 percent in FYE 2017. Towns and villages tended to have lower rates of environmental stress. (See Figure 7.)

Regionally, over one-third of local governments in the Mohawk Valley, North Country and Southern Tier regions upstate were designated in environmental stress. In contrast, local governments on Long Island were the least likely to be in environmental stress, despite having the highest share in fiscal stress. (See Figure 8.)

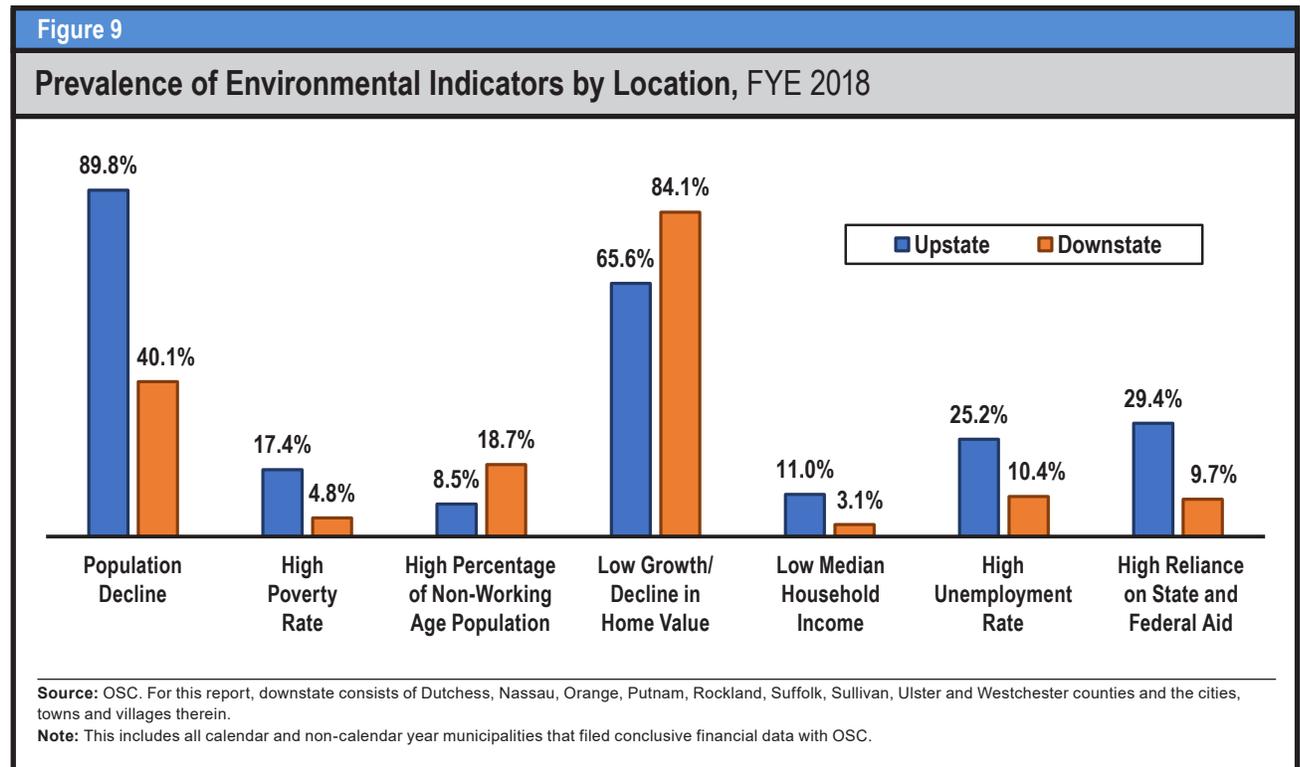
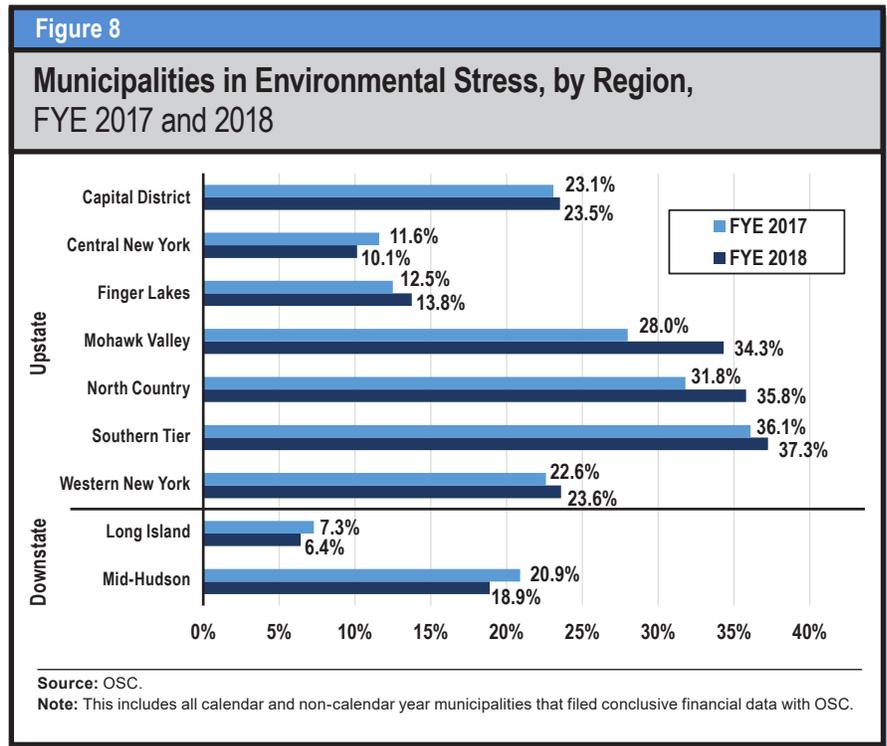
Figure 7

Environmental Stress Designation by Class, FYE 2017 and 2018

Stress Designation	By Class								Total	
	Counties		Cities		Towns		Villages			
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
Significant Stress	1	1	11	10	5	6	29	26	46	43
Moderate Stress	5	2	6	10	41	44	27	33	79	89
Susceptible to Stress	12	21	12	7	114	120	64	59	202	207
Total in Stress	18	24	29	27	160	170	120	118	327	339
No Designation	38	32	26	26	697	683	376	367	1,137	1,108
Total Filed and Scored	56	56	55	53	857	853	496	485	1,464	1,447
Percentage of Scored Entities In Stress	32.1%	42.9%	52.7%	50.9%	18.7%	19.9%	24.2%	24.3%	22.3%	23.4%
Not Filed or Inconclusive	1	1	6	8	75	79	43	51	125	139
Total All Entities	57	57	61	61	932	932	539	536	1,589	1,586

Source: OSC.
Note: Excludes New York City; includes all other calendar and non-calendar year municipalities. The villages of Barneveld (Oneida County), Cherry Creek (Chautauqua County), and Mastic Beach (Suffolk County) officially dissolved and have been excluded from the FYE 2018 FSMS.

When examining individual environmental indicators, it is clear that upstate and downstate local governments face different challenges. Upstate governments were more likely to experience population loss and high levels of poverty and unemployment, and to have a high reliance on State and federal aid. Downstate, local governments were more likely to experience either low growth or declines in home values, potentially affecting their tax bases. They also had a higher proportion of non-working age residents (either under 18 or over 65), who tend to require public services such as education, public transportation and healthcare. (See Figure 9.)



Conclusion

Although the vast majority of local governments were not classified as being in fiscal stress for FYE 2018, more than half of the State's population outside of New York City resides in at least one of the 35 local governments that were in fiscal stress. Of these, 12 entities (0.8 percent) were in significant fiscal stress, and nine of these had also been in significant stress in FYE 2017. Local officials from stressed municipalities, as well as any that have scores that are close to stress, should take this as a warning sign: close monitoring and remediation are vital.

Local governments can use the interactive FSMS Self-Assessment Tool to examine their own scores in more detail, generate fiscal stress projections and compare their scores to peer groups for each of the fiscal and environmental indicators.¹⁰ This tool may be especially useful for local governments in a stress designation, or nearing one, when developing future budgets.

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.¹¹ Multiyear planning is often particularly useful, since there is no quick fix for fiscal stress.¹² 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.¹³

Finally, the number of local governments that did not file in time to receive a score (139) was particularly high this year. 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 standing. This knowledge is essential as budgeting and operating choices are being deliberated.

Notes

- ¹ The Fiscal Stress Monitoring System (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. The 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 For entities whose score results are below the established thresholds for one of the three stress categories. Importantly, this classification does not imply that the entity is free of all fiscal or environmental stress conditions. See OSC, *Fiscal Stress Monitoring System Manual*.
- ⁴ In conjunction with this report, OSC released fiscal year end (FYE) 2018 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 2018 scores for another 17 cities and 526 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 2017-2018*, January 2019, available at: www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/common-themes-for-school-year-2017-18.pdf.
- ⁵ OSC, Local Government Management Guide, *Multiyear Financial Planning*, updated September 2017, at: www.osc.state.ny.us/localgov/pubs/lgmg/multiyear.pdf.
- ⁶ 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 appear here as non-filing towns.
- ⁷ 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.
- ⁸ In some instances, 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. One local government's data was deemed inconclusive in FYE 2017, but in 2018, none were. For more information, see OSC's *Annual Report Filing Deadlines* webpage: www.osc.state.ny.us/localgov/finreporting/deadlines.htm.
- ⁹ 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, at: www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/system-enhancements-local-governments.pdf.
- ¹⁰ For the FSMS Self Assessment Tool, see *FSMS Search Tool* accessible at: wwe1.osc.state.ny.us/localgov/fiscalmonitoring/fsms.cfm.
- ¹¹ 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.
- ¹² OSC, Local Government Management Guide, *Multiyear Financial Planning*.
- ¹³ For more information on the Financial Restructuring Board for Local Governments, see frb.ny.gov.

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability

110 State Street, 12th floor
Albany, NY 12236
Tel: (518) 474-4037
Fax: (518) 486-6479
or email us: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm



Like us on Facebook at facebook.com/nyscomptroller
Follow us on Twitter @[@nyscomptroller](https://twitter.com/nyscomptroller)

