



## 2014 FISCAL PROFILE

# CITY OF GLENS FALLS

### Overview

Glens Falls is located in northeast New York State, approximately 50 miles north of the City of Albany. It serves as the gateway to the Eastern Adirondack Mountains, including the Lake George resort area.

The City is home to a diversified portfolio of employers including Glens Falls Hospital; National Grid; and Finch Paper, LLC, a manufacturer of specialty paper products. Additionally, the City offers a wide variety of cultural and recreational facilities and parks, including the Glens Falls Civic Center, which hosts an American Hockey League team.

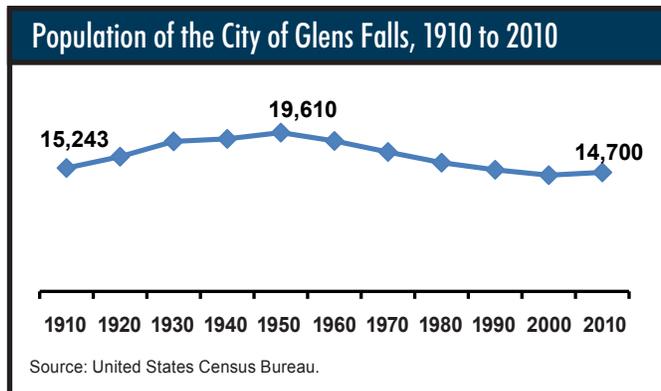
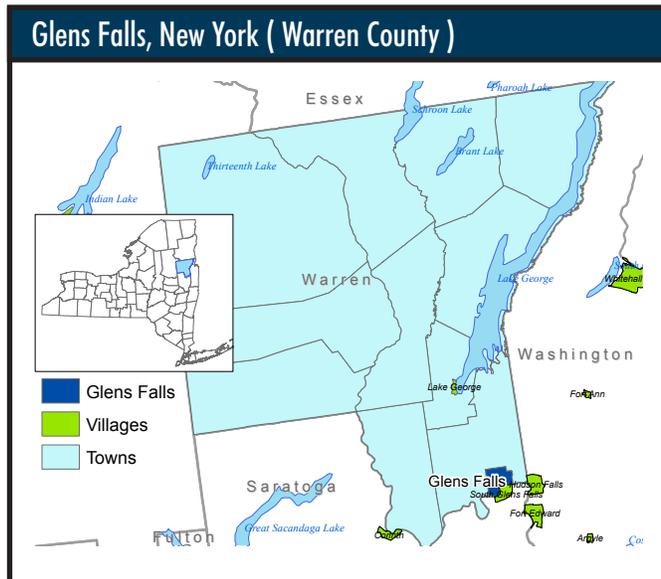
Like many other cities, Glens Falls has struggled in recent years to maintain services, avoid large tax increases and balance budgets. The City has been consolidating functions internally as well as sharing services with Warren County. However, the City's high debt service costs for infrastructure expenditures as well as its subsidization of the Civic Center continue to be a burden. By 2012, Glens Falls had drawn down its available general fund balance to \$0.6 million, or 3.7 percent of expenditures.

- Glens Falls collected \$28.5 million in revenues in 2012, 50 percent more than in 2002, for an average annual increase of 4.1 percent over that period compared to 3.3 percent for all cities.
- City expenditures increased by 4.5 percent a year between 2002 and 2012, slightly more than the corresponding increase in revenues.
- Since 1950, Glens Falls has lost 25 percent of its population. However, between 2000 and 2010 population increased 2.4 percent.
- The City's median household income (\$43,533) is slightly above that of the median city (\$38,913).
- The City's child poverty rate is 15.9 percent, lower than the statewide rate of 21 percent.
- Glens Falls' median home value of \$152,900 is higher than that of the median city (\$102,300).
- In recent years, the City has consolidated certain services with Warren County, including police and sheriff dispatch and some community development functions.

## Population and Economic Factors

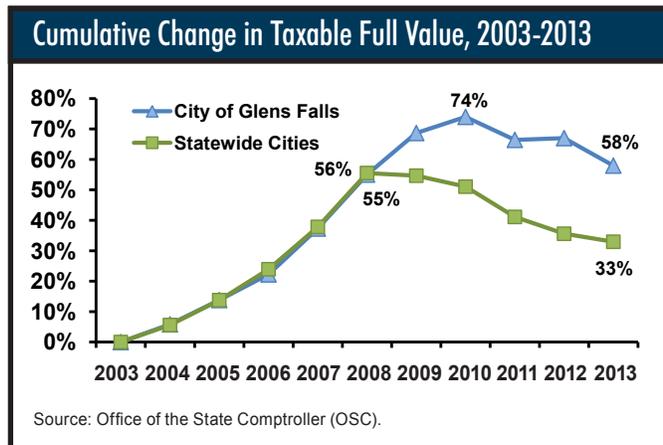
The City of Glens Falls is located in Warren County. Its population of 14,700 comprises nearly one-quarter of the county's residents. The City experienced nearly continuous population growth from the time it was founded as a City in 1908 until 1950, when it peaked at 19,610. With the exception of a small increase from 2000 to 2010, population declined every decade since, with a total population decrease of 25 percent.

The U.S. Bureau of Labor Statistics does not calculate an unemployment rate for Glens Falls. However, Warren County's 2013 rate was 7.6 percent, compared with the State unemployment rate of 7.7 percent. The City's median household income (\$43,533) was much less than the State median household income (\$57,683), but above that of the median city (\$38,913).<sup>1</sup> The rate of poverty among children under age 18 was 15.9 percent, lower than the statewide rate of 21 percent, and much lower than the median city rate (28.4 percent).



## Tax Base

The taxable full value of real property in Glens Falls increased by a total of 58 percent from 2003 to 2013, surpassing the 33 percent growth in full value for all cities aggregated.<sup>2</sup> Between 2003 and 2008, cities across the State saw a significant increase in taxable full value, and Glens Falls was no exception to this trend. However, as the full value for other cities began to fall from 2009 to 2013, the City's full value continued to increase through 2010 and then tapered off, although not as sharply as the statewide rate.



The homeownership rate in Glens Falls is 51.7 percent, slightly above the median city rate of 49.9 percent. The median home value is \$152,900, well above the \$102,300 median for all cities but below the statewide average of \$295,300. The property vacancy rate is lower in Glens Falls than in the median city (8.6 percent vs. 10.5 percent), as is the percentage of tax-exempt property (24.9 percent vs. 33 percent).<sup>3</sup> Finally, Glens Falls had exhausted only 32 percent of its Constitutional Tax Limit (CTL) in 2013.<sup>4</sup> All of these factors contribute to the City's ability to generate revenue through property taxes.

### Fiscal Stress Monitoring System

OSC's Fiscal Stress Monitoring System (FSMS) uses a number of financial and environmental stress indicators to create scores for every municipality and school district in the State.

For fiscal year 2012, Glens Falls received a fiscal score of 44.6 percent and an environmental score of 2.5 percent, which earned it a "no designation," but the City is very close to the 45 percent line of "susceptible to fiscal stress." The most significant stress indicators triggered for Glens Falls included having a low general fund balance as a percentage of expenditures in 2012; running operating deficits in 2011 and 2012; maintaining a low cash balance as a percentage of monthly expenditures; and holding a high debt service to revenue ratio over the past three years.

For additional information and a description of the categories that comprise the FSMS, please access the OSC report located at:

[www.osc.state.ny.us/localgov/pubs./fiscalmonitoring/pdf/fiscalstressmonitoring2013.pdf](http://www.osc.state.ny.us/localgov/pubs./fiscalmonitoring/pdf/fiscalstressmonitoring2013.pdf).

## Revenues and Expenditures

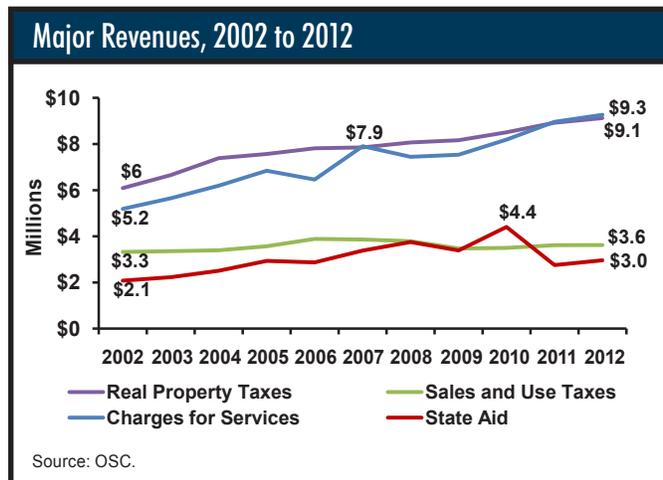
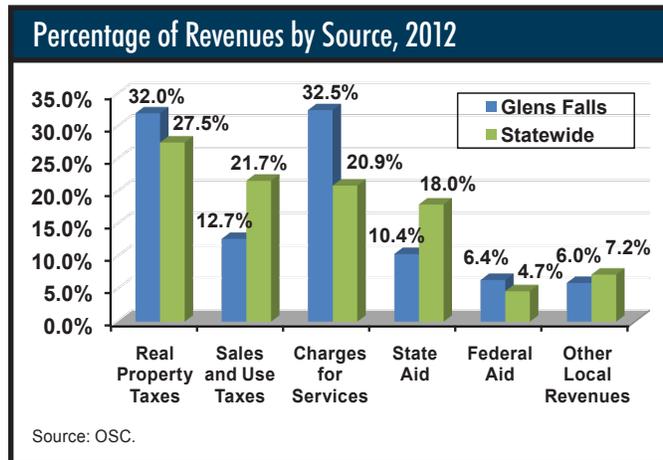
Glens Falls collected \$28.5 million in revenues in 2012, 50 percent more than in 2002, for an average annual increase of 4.1 percent over that period.<sup>5</sup> This compares to a 3.3 percent annual average growth rate for all cities in the State.

Charges for services accounted for 32.5 percent of the City's revenues in 2012, significantly higher than the share for cities statewide (20.9 percent). The City provides both water and sanitation services to its residents. Additionally, Glens Falls provides sanitation services to other governments and has a laboratory that provides water testing services to other municipalities.

The property tax accounted for 32 percent of the City's revenues in 2012, compared to 27.5 percent for all cities in the State.<sup>6</sup>

Glens Falls received 12.7 percent of its revenues from the sales tax, much lower than the 21.7 percent share for all cities in the State. Sales tax revenue grew at less than 1 percent on average annually from 2002 to 2012, much less quickly than the 3.6 percent annual average increase for all cities. Glens Falls pre-empts a portion of the sales taxes collected in the City, which means its sales tax growth is limited by economic growth within the City itself. Although Glens Falls also receives 2 percent of Warren County's net sales tax collections, this distribution represents a small portion of the City's total sales tax revenues, and County sales tax revenues have been relatively stagnant over the period as well.<sup>7</sup>

Glens Falls relies on State aid for 10.4 percent of its revenues, much less than the 18 percent share for all cities in the State. State aid to the City increased by 3.6 percent on average annually from 2002 to 2012, while the average annual increase for all cities was 4.3 percent. Like other cities in New York, Glens Falls receives its most significant ongoing funding from the State through the Aid and Incentives for Municipalities (AIM) revenue sharing program. Since 2008, AIM funding has declined or been stagnant as the State has worked to address budget gaps during the recession and its aftermath. Between State fiscal years 2008-09 and 2013-14, AIM

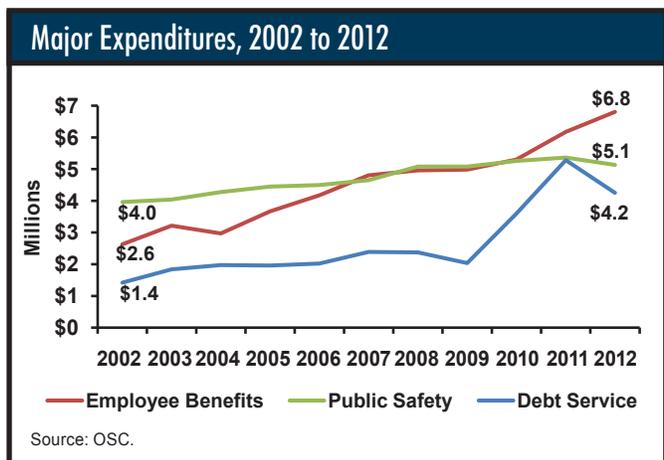
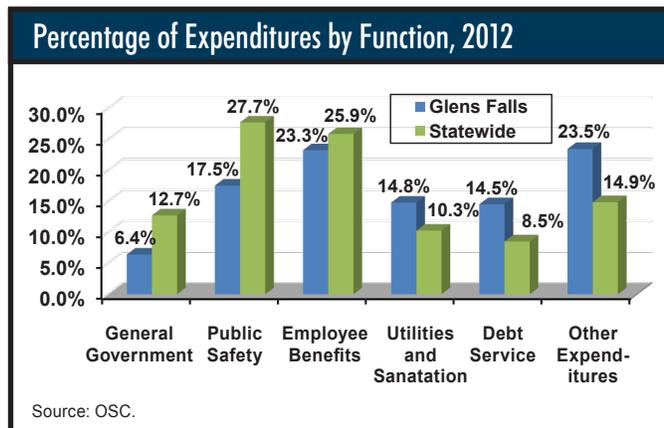


payments to cities (excluding New York City) decreased by \$43.7 million. Glens Falls' AIM funding dropped from \$1.7 million to \$1.6 million during that period, and the City is slated to receive \$1.6 million again in 2014-15. Per capita, AIM funding for Glens Falls between 2011-2012 and 2014-2015 (\$109.32) was much lower than the statewide city median (\$146.80) for those years.

The growth in Glens Falls' expenditures between 2002 and 2012, averaging 4.5 percent annually, is higher than corresponding revenue growth for the period, and is more than the 3.3 percent rate for all cities. Public safety (police and fire services, etc.) accounted for 18 percent of expenditures, significantly lower than the 28 percent for all cities, and these costs have the potential to drop even further since the City consolidated police and sheriff dispatch services with Warren County in 2012. Employee benefits comprised 23 percent of expenditures, less than the 26 percent for all cities. On the other hand, debt service costs for the City are much higher when compared to all cities, at 14.5 percent of expenditures versus 8.5 percent respectively, largely for sewer and water infrastructure projects.

Glens Falls spent a larger percentage of its budget on culture and recreation than other cities (6.6 percent of total expenditures in 2012, compared to 3.8 for all cities), partially due to the subsidization of the Civic Center.<sup>8</sup> The

City reported appropriating about \$600,000 from its General Fund in 2013 for this purpose, and budgeting for a similar subsidy in 2014.<sup>9</sup> When the Civic Center recently failed to renew a five-year contract with its minor league hockey team, both City officials and local businesses were concerned about the potential for lost revenue. However, a new hockey team signed a three-year contract, which was approved by the Common Council in May 2014.<sup>10</sup> Additionally, in late June, the City announced that the Civic Center will be offered at public auction in August with a minimum bid of \$1.5 million.<sup>11</sup>



## Current Budget Condition

Glens Falls has struggled to maintain a cushion of available fund balance.<sup>12</sup> After peaking at \$1.8 million (12.9 percent of general fund expenditures) in 2006, available fund balance declined to \$0.3 million in 2009. Since then, it has remained low, ending fiscal year 2012 at \$0.6 million (3.7 percent of expenditures), much lower than that of the median city (9.0 percent), and ending 2013 at \$0.5 million (3.2 percent of expenditures).<sup>13</sup> A 2013 OSC audit of Glens Falls' financial condition found that if the declining

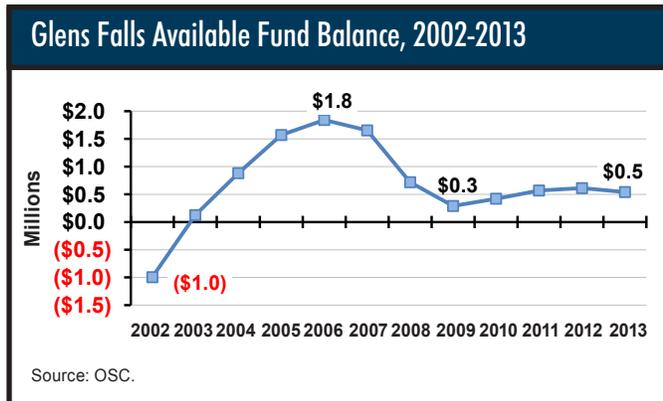
trends of available fund balance in the general, water and sewer funds are allowed to continue, the City's susceptibility to fiscal stress will increase.<sup>14</sup> The City's 2014 adopted budget keeps property taxes within the tax levy limit, and, according to news reports, does not appropriate any fund balance, although this restraint has been difficult to maintain.<sup>15</sup> The City has consolidated some services both internally and with the County in recent years, and it continues to seek opportunities for cost savings through restructuring the provision of services.

In addition to its relatively low fund balance, Glens Falls also struggles to maintain an adequate cash position. One measure of budgetary health is the percentage of cash and investments a city has on hand compared with its net current liabilities, or put another way, its ability to pay its bills. This is known as the "cash ratio." Glens Falls' cash ratio was 131 percent in 2012, lower than the 199 percent ratio for the median city. More alarmingly, the City had a year-end cash balance that barely covered an average month's expenditures during 2012. This weak cash position, combined with the low fund balance, diminishes the City's ability to respond to financial shocks.

## Bond Ratings and Debt

In March 2013, Moody's Investors Service affirmed its A2 rating, with a negative outlook, on general obligation debt issued by Glens Falls.<sup>16</sup> This rating reflects the City's adequate financial position, moderately sized tax base, and elevated but manageable debt burden. However, Moody's analysts also noted that the City's rating reflects the uncertainty regarding its ability to replenish and maintain reserves in light of increasing healthcare and pension costs.

Glens Falls has debt service costs of 14.9 percent of total revenues, compared to 8.7 percent for the median city. Outstanding debt (\$44.9 million at the end of the 2012 fiscal year) as a percentage of the taxable full value of real property (4.6 percent) was greater than that of the median city (3.2 percent), and debt per capita (\$3,056) is more than double that of the median city (\$1,385). The City's debt outstanding has been increasing in recent years, from \$23 million at the end of 2008 to \$45 million at the end of 2012.



## Endnotes

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- <sup>1</sup> Throughout this report, references to all cities or to the median city exclude New York City.
- <sup>2</sup> This discussion uses taxable full value instead of taxable assessed value, which varies among jurisdictions. Full value is determined by dividing assessed value by the equalization rate.
- <sup>3</sup> Housing statistics are from the United States Census Bureau, *American Community Survey, Five-Year Estimates, 2008-2012*.
- <sup>4</sup> The Constitutional Tax Limit caps the total amount of property tax a city can levy at 2 percent of the five-year average of its full value, with certain exclusions.
- <sup>5</sup> For the purposes of these revenue and expenditure analyses, “all cities” excludes Amsterdam, Ithaca, and Mechanicville (for which data were not available as of March 31, 2014) and New York City. Expenditures and revenues presented in this section exclude fund “H” (capital projects), the “other uses” and “proceeds of debt” expenditure categories, and the “other sources” revenue category.
- <sup>6</sup> Revenues from property taxes and related items in cities may include: real property taxes, special assessments, gains from the sale of tax-acquired properties, interest and penalties, miscellaneous tax items, and payments in lieu of taxes.
- <sup>7</sup> Net of the portion distributed to towns and villages. Office of the State Comptroller, Local Government Sales Taxes: 2010 Update, <http://www.osc.state.ny.us/localgov/pubs/research/salestax2010.pdf>.
- <sup>8</sup> On average from 2002-2012, culture and recreation expenditures in Glens Falls comprised 32.6 percent of the category “Other Expenditures.”
- <sup>9</sup> Office of the State Comptroller and Maury Thompson, *PostStar*, “Taxes Creep Up in City Budget,” November 13, 2013, [http://poststar.com/news/local/taxes-creep-up-in-city-budget/article\\_54b99fb8-4c8b-11e3-b929-001a4bcf887a.html](http://poststar.com/news/local/taxes-creep-up-in-city-budget/article_54b99fb8-4c8b-11e3-b929-001a4bcf887a.html).
- <sup>10</sup> Maury Thompson, *PostStar*, “Is Management Change Coming to Civic Center?” May 28, 2014, [http://poststar.com/news/local/is-management-change-coming-to-civic-center/article\\_d53374ee-e6ae-11e3-b451-0019bb2963f4.html](http://poststar.com/news/local/is-management-change-coming-to-civic-center/article_d53374ee-e6ae-11e3-b451-0019bb2963f4.html); and *PostStar*, “Flames On! City Welcomes New AHL Team,” May 16, 2014, [http://poststar.com/news/local/flames-on-city-welcomes-new-ahl-team/article\\_b5ab1fc2-dd31-11e3-836f-001a4bcf887a.html](http://poststar.com/news/local/flames-on-city-welcomes-new-ahl-team/article_b5ab1fc2-dd31-11e3-836f-001a4bcf887a.html).
- <sup>11</sup> Maury Thompson, *PostStar*, “Local Developer, Flames President Involved in Civic Center Bid,” June 27, 2014, [http://poststar.com/news/local/local-developer-flames-president-involved-in-civic-center-bid/article\\_cc2f7af4-fe10-11e3-bed2-001a4bcf887a.html](http://poststar.com/news/local/local-developer-flames-president-involved-in-civic-center-bid/article_cc2f7af4-fe10-11e3-bed2-001a4bcf887a.html).
- <sup>12</sup> For this purpose, “available fund balance” is all fund balance that is not restricted, committed, or appropriated. Also, for the purpose of this calculation, expenditures include “other uses.”
- <sup>13</sup> The New York State Government Finance Officers’ Association recommends a fund balance of no less than one to two months of regular general fund operating expenditures (about 5-15 percent).
- <sup>14</sup> Office of the State Comptroller, *City of Glens Falls Financial Condition*, <http://www.osc.state.ny.us/localgov/audits/cities/2013/glensfalls.htm>.
- <sup>15</sup> Bill Toscano, *PostStar*, “Glens Falls Common Council Approves 2014 Budget,” December 11, 2013, [www.poststar.com/news/local/glens-falls-common-council-approves-budget/article\\_22aa2eb0-627b-11e3-87a5-0019bb2963f4.html](http://www.poststar.com/news/local/glens-falls-common-council-approves-budget/article_22aa2eb0-627b-11e3-87a5-0019bb2963f4.html).
- <sup>16</sup> Moody’s Investors Service, *Rating Action: Moody’s affirms the A2 rating of the City of Glens Falls’ (NY) outstanding G.O. debt; The outlook remains negative*, March 11, 2013.

## Glens Falls vs. All Cities and New York State

Population 2010: 14,700	City of Glens Falls	All Cities (excluding NYC)		New York State
		Median	Aggregate	
<b>Demographic Statistics</b>				
Percentage Change in Population, 1950-2010	-25%	-20%	-25%	31%
Percentage Change in Population, 2000-2010	2.4%	0.5%	-1.4%	2.1%
Median Household Income, 2012	\$43,533	\$38,913	N/A	\$57,683
Child Poverty Rate, 2012	15.9%	28.4%	N/A	21.0%
Unemployment Rate Annual, 2013	N/A	N/A	N/A	7.7%
<b>Property Value Statistics</b>				
Median Home Value, 2012	\$152,900	\$102,300	N/A	\$295,300
Owner-Occupied Housing Units, 2012	51.7%	49.9%	46.8%	54.5%
Property Vacancy Rate, 2012	8.6%	10.5%	12.7%	10.8%
Percentage of Property Value that is Tax Exempt, 2012	24.9%	33.0%	34.2%	26.7%
<b>Revenue and Tax Statistics</b>				
State Aid per Capita, 2012	\$201.41	\$197.06	\$339.21	N/A
Available General Fund Balance as a Percentage of Expenditures, 2012 <sup>(a)</sup>	3.7%	9.0%	6.8%	N/A
Constitutional Tax Limit Exhausted, 2013	32%	45%	N/A	N/A
Cash Ratio, 2012 <sup>(b)</sup>	131%	199%	120%	N/A
Debt Service as a Percentage of Revenues, 2012	14.9%	8.7%	8.7%	N/A

(a) For these purposes, available fund balance is all fund balance that is not restricted, committed, or appropriated.

(b) Cash Ratio is combined funds cash and investments divided by current liabilities.

Source: U.S. Census Bureau; New York Department of Taxation and Finance; New York State Labor Department; Office of the State Comptroller.

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July 2014