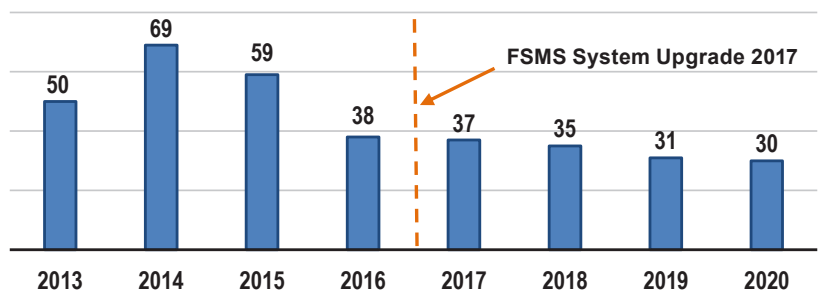


Fiscal Stress Monitoring System Municipalities: Fiscal Year 2020 Results

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 in the State.¹ Scores are based on data reported to OSC and reflect each local government’s ability to maintain budgetary solvency, with higher scores reflecting greater risk of stress.² This snapshot highlights the results for all counties, cities, towns and villages that filed reports for local fiscal years ending (FYE) in 2020.

Number of Local Governments in Any Level of Fiscal Stress, Fiscal Years Ending (FYE) 2013-2020



Source: Office of the State Comptroller (OSC).

Fiscal Stress Designation by Class of Government, FYEs 2019 and 2020

| Stress Designation | Counties | | Cities | | Towns | | Villages | | Total | |
|--|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|--------------|--------------|
| | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 |
| Significant Fiscal Stress | 2 | 0 | 4 | 5 | 0 | 1 | 0 | 3 | 6 | 9 |
| Moderate Fiscal Stress | 0 | 2 | 2 | 1 | 7 | 1 | 2 | 1 | 11 | 5 |
| Susceptible to Fiscal Stress | 5 | 4 | 0 | 1 | 4 | 7 | 5 | 4 | 14 | 16 |
| Total in Stress | 7 | 6 | 6 | 7 | 11 | 9 | 7 | 8 | 31 | 30 |
| No Designation | 48 | 49 | 46 | 45 | 823 | 835 | 464 | 452 | 1,381 | 1,381 |
| Total Filed and Scored | 55 | 55 | 52 | 52 | 834 | 844 | 471 | 460 | 1,412 | 1,411 |
| Percentage of Scored Entities In Stress | 12.7% | 10.9% | 11.5% | 13.5% | 1.3% | 1.1% | 1.5% | 1.7% | 2.2% | 2.1% |
| Not Filed or Inconclusive | 2 | 2 | 9 | 9 | 99 | 89 | 64 | 73 | 174 | 173 |
| Total All Entities | 57 | 57 | 61 | 61 | 933 | 933 | 535 | 533 | 1,586 | 1,584 |

Source: OSC.

Note: Excludes New York City; includes all other calendar- and non-calendar-year municipalities. The villages of Harrisville (Lewis County) and Morristown (St. Lawrence County) dissolved and are excluded from the FYE 2020 FSMS. Three coterminous town-villages file only as villages, so they are counted as non-filing towns.

Of the 1,411 local governments that filed FYE 2020 annual financial reports with OSC, 30 were in a level of stress, which is very similar to the totals seen over the past several years.³ Although some of the names have changed, the general distribution did not: cities and counties remained most prone to stress, and the vast majority of municipalities remained in the “no designation” category.

Local Government Fiscal Stress During the Pandemic

The COVID-19 pandemic that began in March 2020 had a significant impact on local government operations. In the spring and summer of 2020, revenue projections for many local governments were dire as sales tax collections plummeted, local revenue sources such as parking, recreation and courts were severely diminished, portions of State Aid were withheld without guarantee of restoration, and concern about the availability of even the most stable revenues — such as the property tax — was high.⁴

Many local officials had to make difficult mid-year budget decisions about how best to meet their community’s service needs with reduced or less predictable revenues, while protecting public health and minimizing cuts to their own workforce. In some cases, where municipalities had to forgo providing recreation services such as pools and summer camps, senior events, and special refuse pickups in order to prevent the spread of COVID-19, they were able to divert the funds they would have spent on these services to make up for some (or all) of the related losses. Local governments also may have leveraged available fund balance to cover any remaining imbalance.

Fortunately, the economic recovery began relatively quickly in many places. Rebounding monthly sales tax collections in much of the State supported local government bottom lines, with many counties outside of New York City seeing only slight losses for 2020 overall compared with 2019, and collections in some counties even growing for the year. The improvement in these collections affected revenues for cities and many towns and villages, as well.

In fiscal terms, FYE 2021 looks brighter for many local governments. Some State aid that had been withheld was repaid in early calendar year 2021, and the American Rescue Plan Act of 2021 supplemented revenues lost due to COVID-19 with direct payments to most local governments, to be distributed in two payments over the current and next federal fiscal years. However, there are still many unknowns. COVID-19 variants, vaccine resistance and labor shortages, among other factors, continue to make headlines and could impact sales tax or other revenues in the future. In addition, while local governments may have balanced their FYE 2020 budgets through one-time actions, they cannot reduce services and draw down fund balance indefinitely.

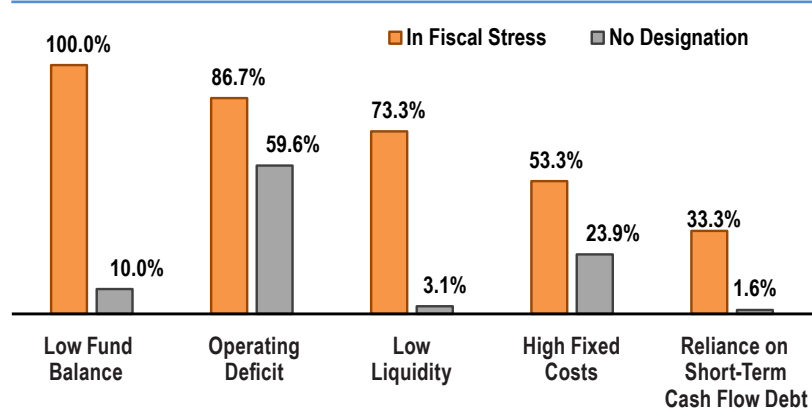
Local officials in municipalities that were previously designated as being in fiscal stress, and especially those repeatedly designated as stressed, are less likely to have the flexibility to adapt to challenging fiscal situations. Over time, low fund balances, weak cash positions, and lost revenues make sustaining the functions of government or providing constituent services untenable. Thus, while most local governments managed to avoid a stress designation in the initial year of the economic crisis, fiscal stress may increase for them in the next few years if the economic recovery falters.

Issues of Concern

Each local government’s fiscal stress score is based on indicators that collectively measure budgetary solvency. Most local governments in stress scored poorly on multiple indicators. In particular:

- All fiscally stressed local governments had a low ratio of fund balance to expenditures. A lack of adequate fund balance can deprive a local government of flexibility to deal with revenue shortfalls and expenditure overruns.
- Most fiscally stressed entities (and almost no non-stressed ones) had low liquidity, meaning that they might not have enough cash on hand to cover operating costs.

Prevalence of Fiscal Stress Indicators Among Local Governments by Designation, FYE 2020



Source: OSC.
 Note: Includes all calendar and non-calendar-year municipalities that filed conclusive financial data with OSC in both years.

Entities in Stress Repeatedly

For a local government to be in a stress category in any year should be a red flag for officials and residents, but remaining in stress for multiple years is even more of a cause for concern.

- Of the 30 local governments in a stress designation in FYE 2020, 17 were also in stress in FYE 2019.
- Four cities were in significant fiscal stress in both years: Niagara Falls, Poughkeepsie, Amsterdam and Long Beach.

Local Governments in Fiscal Stress, in Both FYE 2019 and 2020

| Class | Municipality | County |
|----------------|---------------|------------|
| County | Monroe | - |
| | Nassau | - |
| | Suffolk | - |
| | Westchester | - |
| City | Amsterdam | Montgomery |
| | Glen Cove | Nassau |
| | Long Beach | Nassau |
| | Niagara Falls | Niagara |
| | Poughkeepsie | Dutchess |
| Town | Caneadea | Allegany |
| | Clarkstown | Rockland |
| | Colonie | Albany |
| | Pulteney | Steuben |
| | Yates | Orleans |
| Village | Fayetteville | Onondaga |
| | Island Park | Nassau |
| | Valley Stream | Nassau |

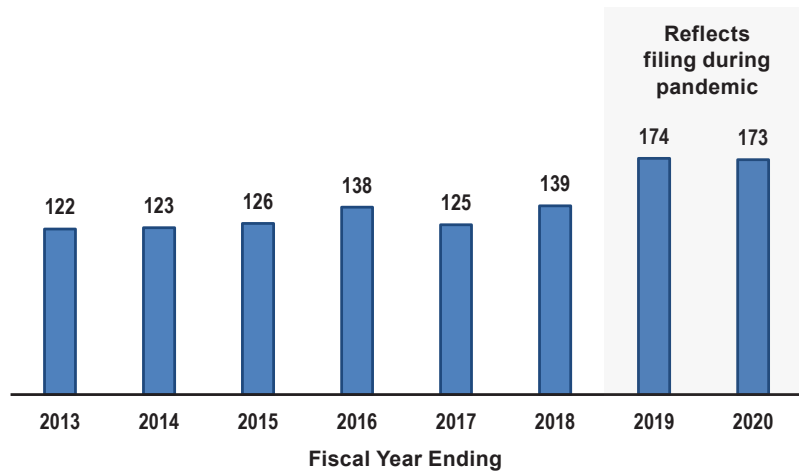
Source: OSC.

Entities with No Score

Local governments that do not file their financial information with OSC in time to receive a FSMS score are concerning for several reasons:

- An inability to file basic financials in a timely manner often indicates a lack of proper financial management.
- Lack of timely financial data may prevent local officials from taking necessary steps to avoid fiscal crisis.
- Failure to provide reports indicates a lack of financial transparency.⁵

Number of Municipalities Filing Too Late to Receive a FSMS Score, FYEs 2013-2020



Source: OSC.

The first shutdowns due to the pandemic came at a time when local governments that operate on a fiscal calendar year (all counties and towns and most cities) were filing 2019 data. The number of entities that did not file in time for a score that year was much higher than even the previous year's high level of 139. The number has remained high for FYE 2020, however, as well: 173 local governments failed to file data with OSC in time to receive a fiscal stress score, including the cities of Beacon, Dunkirk, Ithaca, Johnstown, Little Falls, Mechanicville, Mount Vernon, Rensselaer and Salamanca; and Greene and Ontario counties.

FSMS Resources

For more information about FSMS, including lists of entities in stress and entities that did not file with OSC, see www.osc.state.ny.us/local-government/fiscal-monitoring.

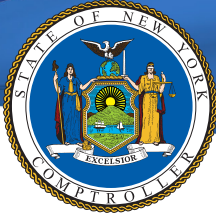
OSC's FSMS Self-Assessment Tool:

www1.osc.state.ny.us/localgov/fiscalmonitoring/fsms.cfm

OSC's Financial Toolkit for Local Officials in 2020 and Beyond:

www.osc.state.ny.us/local-government/financial-toolkit

- ¹ FSMS excludes New York City. For more information on FSMS indicators and scoring, see Office of the State Comptroller (OSC), *Fiscal Stress Monitoring System Manual*, November 2017, available at: www.osc.state.ny.us/files/local-government/fiscal-monitoring/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 New York State counties, towns and villages, and the 61 cities not including New York City, regardless of whether their fiscal year is the same as the calendar year. Scores for non-calendar-year municipalities were previously released in March 2020 and are incorporated in these results. FSMS scores school districts separately. For more information on FSMS, see OSC's FSMS webpage: www.osc.state.ny.us/local-government/fiscal-monitoring.
- ³ 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. Totals do not include municipalities that did not file or those whose filings are designated as inconclusive. Three coterminous town-villages report only as villages and therefore will appear here as non-filing towns.
- ⁴ OSC, *Fiscal Stress Monitoring System Municipalities: Fiscal Year 2019 Results; Fiscal Year 2020 Risks*, September 2020, available at: www.osc.state.ny.us/files/local-government/fiscal-monitoring/pdf/munis-fiscal-year-2019-results-fiscal-year-2020-risks.pdf.
- ⁵ OSC scores fiscal stress by using existing required annual reports, which are due within 120 days of the end of a local government's fiscal year. (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. Some local governments have indicated that independent public accounting firms may not always produce municipal financial reports within the State deadline. However, localities are responsible for filing annual financial reports within the time frame governed by General Municipal Law, irrespective of when their independent public accounting providers complete their work. A local government has to have failed to file financial data for at least eight months after the end of its fiscal year to be listed as "Not Filed" on OSC's fiscal stress list. In rare 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. In FYE 2020, data for one local government (the Town of Palm Tree in Orange County) was deemed inconclusive. For more information, see OSC's Annual Report Filing Deadlines webpage at: www.osc.state.ny.us/local-government/required-reporting/annual-update-document-annual-financial-report-filing-deadlines.



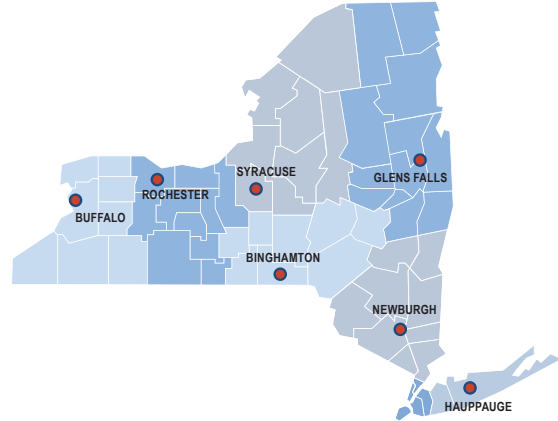
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