

Fiscal Stress Monitoring System
Overview and Year Two Scores

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Fiscal Stress Monitoring System

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Fiscal Stress Monitoring System

- Roadmap
 - Overview of the System
 - Score Release Process
 - What to expect
 - Being prepared
 - Q & A

Fiscal Stress Monitoring System

- Early warning
- Objective
- Utilize existing data
- Industry standards
- Public-facing
- Long-term
 - comparable over time
 - consistently applied

Fiscal Stress Monitoring System

- Troubling trends
 - Revenues, expenditures, balance sheets
- Growing public demand/interest/concern
- Need for long-term planning
- Transparency
- Critical conversations

System Design

- Internal and external resources
 - In-house expertise
 - International City/County Management Association (ICMA)
 - Research of existing programs in other states
- Manageable number of indicators
 - Weighted
 - Individually scored
- Multi-disciplinary team approach
- Public comment period

System Design

- System is specific in purpose
- Fiscal stress continuum
 - ▣ Stress ————— Health
- Full disclosure – all data released
- Value, over time
- Considers fiscal AND environmental factors – separate and distinct

System Design

- **Fiscal Indicators**
 - ▣ Evaluate budgetary solvency—the ability to generate enough revenue to meet expenses
- **Environmental Indicators**
 - ▣ Capture trends that influence revenue-raising capability and demands for service but that are largely outside local officials' control.

Fiscal Indicators

- ▣ Year-end fund balances (50%)
 - unassigned and total fund balance
- ▣ Operating deficit/surplus (10%)
 - history
- ▣ Cash position (20%)
 - Relative to monthly expenditures, last completed fiscal year
- ▣ Fixed Costs (10%)
 - Personal Services, Employee Benefits, Debt Svc – as % of Revenues
- ▣ Use of short-term debt for cash flow (10%)
 - Amount, frequency

Environmental Indicators

- ❑ Change in population (15%)
- ❑ Change in median age of population (10%)
- ❑ Child poverty rate (15%)
- ❑ Change in property value, per capita (30%)
- ❑ Change in unemployment rate, change in total jobs (in county) (10%)
- ❑ Reliance on state/federal aid (10%)
- ❑ Constitutional tax limit exhausted (10%)

System Scoring

1 Fiscal Score

1 Environmental Score

Significant

Moderate

Susceptible

No Designation

Not Filed

Data Inconclusive for FSMS

SUMMARY

- ❑ Fiscal handled separately from environmental
- ❑ Multiple calculations per indicator
- ❑ 29 & 27 point scale
- ❑ Weighted scoring
- ❑ Accumulation of total points drives classifications
- ❑ Thorough screening process



Big 4 School Districts

- ❑ School financials incorporated into the scoring of city
- ❑ One score will be calculated for each city, incorporating the finances of the school district.

Big 4 School Districts

- **Tax Levy.** Schools are fiscally dependent and cannot levy property taxes.
- **Demographics.** In many cases, the city and the school district face similar challenges: high rates of poverty, population/enrollment decline, etc.
- **Overlapping Finances.** The big four cities must include the levy for the school district in the Constitutional Tax Limit and tax cap calculations. Debt issuance, audited financials.
- **Consistency of Reporting.** Accounting variations among the big 4 cities and school districts and how they report.

Score Release

Process

External Communication

- Your release will be in the coming weeks
- All units – whether in a stress category or not, are notified of their final score (via email) prior to publication of the lists
- No surprises approach – communication throughout process is key
 - Coordination with Agency’s Intergovernmental Affairs team

External Communication

- Notifications
 - ▣ Timing, manner, recipients
 - ▣ Letter process (Letter 1 & Letter 2)
- Providing access to detailed information
 - ▣ Secure link provided just prior to release
 - ▣ No surprises

Key Takeaways

- Two years...not yet a trend
- Focus likely to be on major score changes (20 pts or more)
- Focus will also be on places that moved into different classifications
- ...and places that did not file
- Know your details and be prepared to speak to them

Key Takeaways

- Don't forget about the environmental factors
- System is not intended to be punitive
- OSC is NOT assessing management
- Timing - situation may have changed
- Communicate within your own organization
- Utilize our website resources and encourage others to do so

Resources

- <http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm>



Contact Information

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Questions?
