

Fiscal Stress Monitoring System
Overview and Year Three Scores



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Fiscal Stress Monitoring System

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The Division of Local Government and School Accountability

Fiscal Stress Monitoring System

□ Agenda

- Fiscal Stress System basics
- What the data is saying – the results
- Score Release Process - Communication
- Key Takeways – being prepared
- Resources and Q & A

Fiscal Stress Monitoring System

The Basics

Fiscal Stress Monitoring System

Purpose

- ▣ To identify local governments and school districts in fiscal stress or susceptible to fiscal stress.
- ▣ To identify for local officials the need to take action in a timely manner to improve financial trends.

Fiscal Stress Monitoring System

System Components

- ▣ Based on Industry standards
- ▣ Objective
- ▣ Utilizes existing data
- ▣ Early warning
- ▣ Public-facing/Transparent
- ▣ Long-term benefits

System Design

- ▣ Fiscal stress continuum
 - Stress ————— Health
- ▣ Full disclosure – all data released
- ▣ Value, over time

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

*For reports describing each indicator in more detail, please see:
<http://www.osc.state.ny.us/localgov/fiscalmonitoring/researchpubs.htm>

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
- ❑ Accumulation of total points drives classifications
- ❑ Thorough screening process



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Preliminary Results

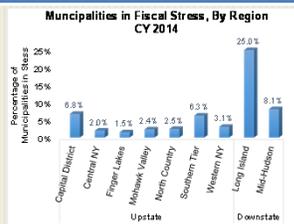
Calendar Year Municipalities 2014

- 44 municipalities (nearly 5 percent of entities scored) were in stress in 2014
 - 15 in Significant Stress
 - 11 in Moderate Stress
 - 18 Susceptible to Stress
- 924 were given no stress designation; scores ranged from very low to nearly susceptible
- 75 municipalities did not file or had inconclusive data

*Results are preliminary

Regional Findings

- Downstate regions had most municipalities in stress.
 - Long Island – 25%
 - Mid-Hudson – 8.1%
- Finger Lakes had lowest percentage in stress – 1.5%



*Results are preliminary

Three Years of Fiscal Stress Calendar Year Municipalities 2012 -2014

- This is the third year of FSMS scores for calendar year municipalities
- A total of 70 municipalities have been in stress at least once over this time

*Results are preliminary

Persistence of Stress

- Most entities moved into or out of stress designations

FSMS Designation Changes, 2012 through 2014		
	2012 to 2013	2013 to 2014
No Designation to Stress Designation	15	16
Not Filed to Stress Designation	1	4
Total Into Stress	16	20
Stress Designation to No Designation	17	10
Stress Designation to Not Filed	4	1
Total Out of Stress	21	11

- 14 remained in fiscal stress for all three years

*Results are preliminary

Non-Filers

- Municipalities are legally required to report financial data within 120 days of fiscal year end.
- FSMS includes late filers up to 8 months
- Filing financials on time is a credit positive
- Nevertheless, between 42 and 75 municipalities did not file in time for a FSMS score in each of the three years
- 26 municipalities have failed to file in time for a FSMS score in *all three years*

*Results are preliminary

Some Takeaways

- Local officials can now view three years of FSMS data
- Trends can be future indicators
- Only a slight overall increase in the number of calendar year municipalities in stress
- However, cities may be experiencing higher stress
- The 14 municipalities that have been in stress for three years should watch their situation with special care

*Results are preliminary

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The Score Release Process

Communication

- Final Scores to be released in the coming weeks
- All units will be notified of their final score (via email) prior to publication of the lists
 - ▣ Important -keep contact info up to date at <https://nysosen.osc.state.ny.us/product/contacts.nsf>
- No surprises approach – communication is key

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

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Key Takeaways – being prepared

Key Takeaways

- Three years...the start of a trend
- Focus on places in Stress
- Focus on major score changes (15 pts or more)
- Focus on 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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Option 4 for Data Management Unit

Questions?
