Fiscal Stress Monitoring System

Overview and Findings

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Fiscal Stress Monitoring System

- Roadmap
  - Overview of the System
    - What? Why? How?
      - Concept, impetus, design
  - Score Release Process
    - What to expect
      - Being prepared
  - Findings
    - Local Governments (year two)
    - Year 1 vs. Year 2
  - Resources

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
  - ICMA - International City/County Management Association
  - 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
  - Fewer / More meaningful indicators
- 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%)
  - (2) unassigned and total fund balance
- Operating deficit/surplus (10%)
  - (1) History/trends
- Cash position (20%)
  - (2) Liquidity and % of Monthly expenditures—last FY only
- Use of short-term debt for cash flow (10%)
  - (2) Amount and frequency
- Fixed Costs (10%)
  - (2) Personal Services & employment benefits as well as Debt Service as a % of revenues

Fiscal Indicator Scores

<table>
<thead>
<tr>
<th>Local Government Classification of Fiscal Stress</th>
<th>Percentage of Total Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant Fiscal Stress</td>
<td>65% - 100%</td>
</tr>
<tr>
<td>Moderate Fiscal Stress</td>
<td>55% - 64.9%</td>
</tr>
<tr>
<td>Susceptible to Fiscal Stress</td>
<td>45% - 54.9%</td>
</tr>
<tr>
<td>No Designation</td>
<td>0% - 44.9%</td>
</tr>
</tbody>
</table>
### Environmental Indicators

**Cities, Villages**

- 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%)

Maximum of 27 points

### Environmental Indicators

**Towns**

- Change in population (10%)
- Change in median age of population (10%)
- Child poverty rate (20%)
- Change in property value, per capita (30%)
- Change in unemployment rate, change in total jobs (in county) (10%)
- Reliance on state/federal aid (10%)

Maximum of 24 points

### Environmental Indicators

**Counties**

- Change in population (15%)
- Change in median age of population (15%)
- Child poverty rate (10%)
- Change in property value, per capita (15%)
- Change in unemployment rate, change in total jobs (in county) (10%)
- Reliance on state/federal aid (10%)
- Change in Local Sales Tax (10%)

Maximum of 27 points
System Scoring

SUMMARY
- Fiscal handled separately from environmental
- Multiple calculations per indicator
- 29 & 27 (or 24) point scale
- Weighted scoring
- Accumulation of total points drives classifications
- Thorough screening process

Score Release

Process

External Communication

- Next release will be in the fall of 2015
  - All calendar year units for FYE 2014
  - 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 (cont.)

- Notifications
  - Timing, manner, recipients
  - Letter process
    - Reminder - February (reminders)
    - Letter 1: After preliminary Review
    - Letter 2 - Prior to FSMS scores released
  - Providing access to detailed information
  - Secure link provided just prior to release
  - No surprises

Key Takeaways

- Two years...not yet a trend... soon starting year 3
- Focus likely to be on major score changes (20 pts or more)
- Focus will also be on places that moved into different classifications
- 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 district management
- Timing - situation may have changed
- Communicate within your own organization
- Utilize our website resources and encourage others to do so

Preliminary Findings

Common Themes

2013 Findings – 12/31/FYE

- Calendar Year End local governments: 10 in significant, 8 in moderate and 17 susceptible
- Towns: Significant- 2, Moderate- 4, Susceptible- 11
- Counties: Significant- 5, Moderate- 2, Susceptible- 3
- Cities: Significant- 2, Moderate- 2, Susceptible- 3
- Village: Significant- 1
2012 vs. 2013 Findings (cont.)

- 2 Towns went from No Designation in 2012 to Significant in 2013
- 2 Towns went from No Designation in 2012 to Moderate in 2013
- 7 Towns went from No Designation in 2012 to Susceptible in 2013
- 2 Towns went from Significant in 2012 to No Designation in 2013
- 1 Town went from Moderate in 2012 to No Designation in 2013

Common Themes

- Change in Operating Deficit – #1 indicator associated with a change in score.
- Change in Fund Balance was #2 indicator associated with a change in score.
- #1 contributor to change in designation was change in liquidity.
- Regardless of an entity’s size, large swings in FSMS scores call for further analysis by local leaders, especially when a government is heading toward further fiscal stress.

2013 Findings – Non-Calendar Villages

- FYE 2013 villages: 4 in significant, 4 in moderate and 7 susceptible
Common Themes

Villages by Fiscal Stress Designation

<table>
<thead>
<tr>
<th>Fiscal Stress Level</th>
<th>2013 Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant Stress</td>
<td>4</td>
<td>0.7%</td>
</tr>
<tr>
<td>Moderate Stress</td>
<td>4</td>
<td>0.7%</td>
</tr>
<tr>
<td>Susceptible to Stress</td>
<td>7</td>
<td>1.3%</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

Villages in a Fiscal Stress Category, 2013

- Capital District: 0
- Central New York: 3
- Long Island: 7
- Mid-Hudson Region: 4
- Mohawk Valley: 1
- North Country: 0
- Southern Tier: 0
- Western New York: 0

Common Themes

Villages with Signs of Fiscal Stress in 2014 by Indicator Category

- Facially Stressed
- No Designation

- Low Fund Balance: 24%
- Operating Deficit: 14%
- Low Liquidity: 2%
- Short-Term Fixed Costs: 7%
- Total: 47%

Source: CSU
Common Themes

Villages with Signs of Environmental Stress in 2014 by Indicator Category

- Fiscally Stressed
- No Designation

- Lower Declining Property Values
- High Child Poverty
- Stressing Employment Base
- Declining Population
- Aging Population

Source: 2007

Resources

Other Resources

- Local Government Management Guides:
  - Multiyear Financial Planning
  - Multiyear Capital Planning
  - Cash Management Technology
  - Fiscal Oversight Responsibilities of the Governing Board
  - Financial Condition Analysis
  - Understanding the Budget Process
Other Resources (cont.)

- On-line resources:
  - Self Assessment Tool
  - Capital Planning Tutorial
  - Multiyear Planning Tutorial

- Training:
  - Basic/Advanced accounting schools
  - Webinars
  - Conferences
  - Special Requests - localtraining@osc.state.ny.us

QUESTIONS?

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