



ULSTER COUNTY COMPTROLLER
March Gallagher, Esq.

2019 Fiscal Stress Assessment

May 2020



Vision: to work in partnership with the County Legislature, County Executive, and the community without compromising independence, objectivity, or integrity in order to become the County's trusted advisor. Mission: to enhance and protect organizational value by providing independent, risk-based objective assurance, advice, and insight to the County. Values: independent fact-based, objective review and analysis done with integrity and due professional care.

The New York State Office of the State Comptroller (“OSC”) developed the Fiscal Stress Test (“Test”) as a tool to assist governmental entities toward better understanding their historical and present economic status. According to OSC, “**fiscal stress**” is the “inability of an entity to generate enough revenues within the current fiscal period to meet its expenditures.”¹ To gain a clearer picture of financial health, the Test assesses municipalities and assigns them points as to the following: year-end fund balance, operating deficits, cash position, use of short-term debt, and fixed costs (such as personal services and employee benefits). By analyzing certain trends among these indicators, local governments can be proactive in improving or maintaining their financial position so that reductions in public services or cuts to other operational expenses can be avoided.

How Fiscally Stressed is Ulster County?

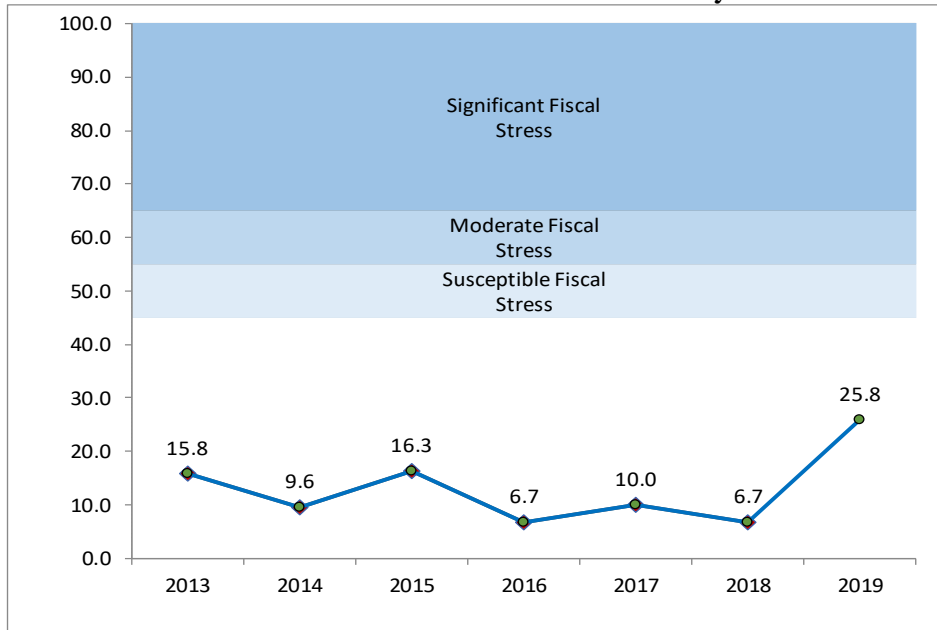
The Test classifies fiscal stress among three categories: “significant stress,” “moderate stress,” and “susceptible to stress.” Additionally, “no designation” is reserved for municipalities that do not accumulate enough points to be labeled within the three aforementioned stress categories. For 2019, the results of the Fiscal Stress Test show that Ulster County’s stress levels are increasing within the “no designation” classification. OSC notes that a “no designation” rating does not indicate a complete absence of fiscal stress and that local officials should review fiscal stress results carefully to identify potential risk areas.²

Fortunately, since the inception of the Test by OSC, Ulster County hasn’t been deemed as operating within any category of fiscal stress. In conducting this year’s version of the Test, we utilized the most up-to-date Annual Financial Reports that were submitted to OSC as well as OSC data from prior years. Monitoring these indicators can help guide policy makers as we move forward in addressing anticipated COVID-related revenue shortfalls.

¹ See “Fiscal Stress Monitoring System: Frequently Asked Questions,” by the Office of the New York State Comptroller’s Division of Local Government and School Accountability. Available at <https://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/faqs.pdf>

² See “Fiscal Stress Monitoring System Results for Municipalities: Common Themes for Fiscal Year 2018,” by the Office of the New York State Comptroller’s Division of Local Government and School Accountability. Available at <https://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/fsms-results-for-munis-common-themes-fiscal-year-2018.pdf>

Total Accumulated Fiscal Points – Ulster County’s Test Results

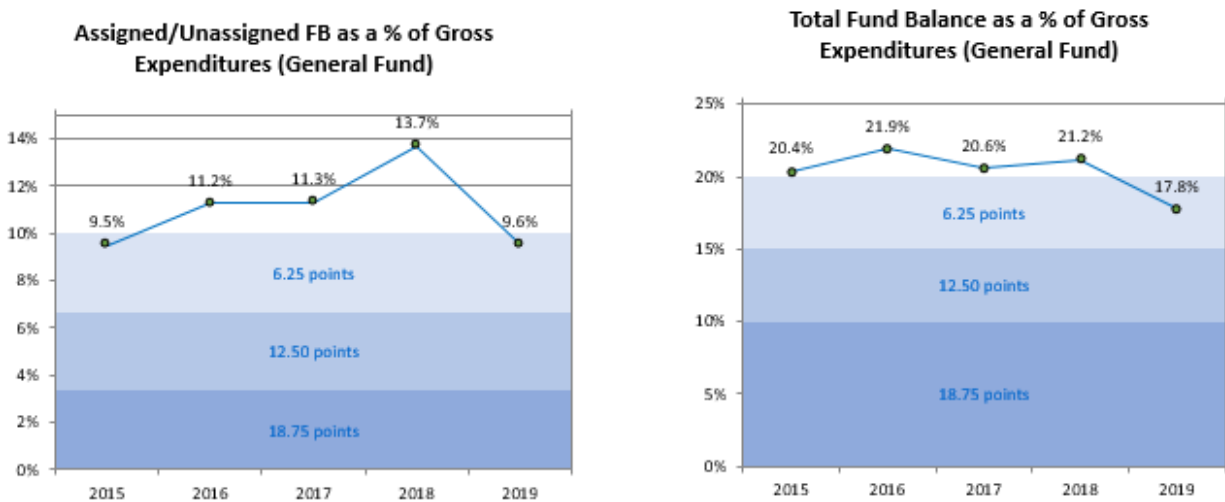


*Note: Test parameters were enhanced in 2017; results from 2013-2016 are based on previous parameters of the Test.

The following financial indicators are noteworthy:

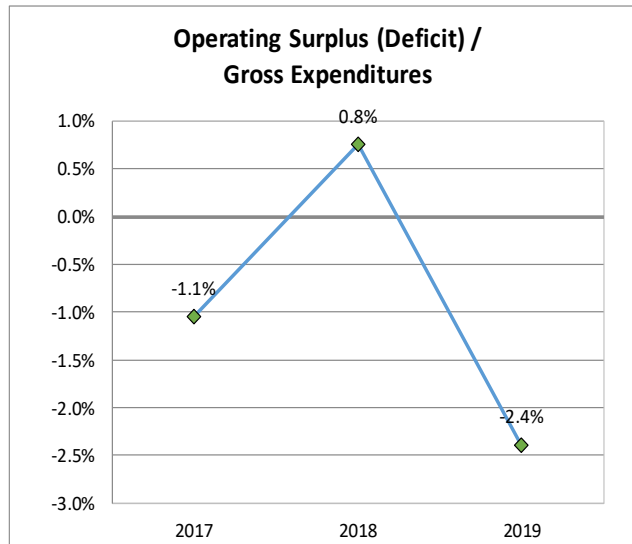
Fund Balance

- Prior to 2019, the County had not received any points in the Fund Balance categories since 2015. Fund Balance is the accumulated surplus/deficit since operations began. These categories predict the ability to deal with potential revenue shortfalls or expenditure overruns. (12.50 points were attributed to this area). A negative or low level of fund balance can adversely impact expected services.



Operating Deficits

- The County has experienced operating deficits in two out of the past three years. Multiple years of operating deficits *may indicate financial hardship* or that recurring revenues are insufficient to support recurring expenditures. The County typically has bounced back from deficit years with a subsequent surplus year to preserve fund balance. However, due to the 2020 pandemic it is almost certain we will not have the traditional rebound. *(6.67 points attributed to this area)*



Short Term Cash Flow Debt

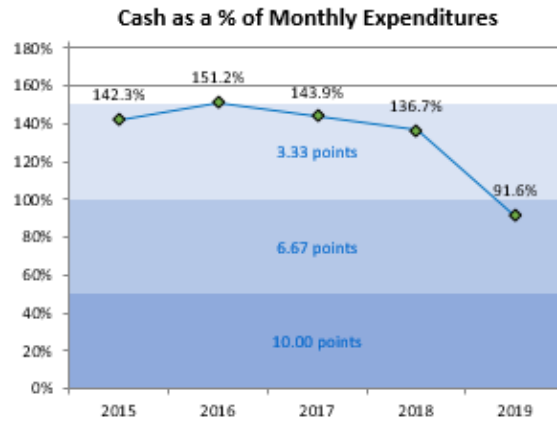
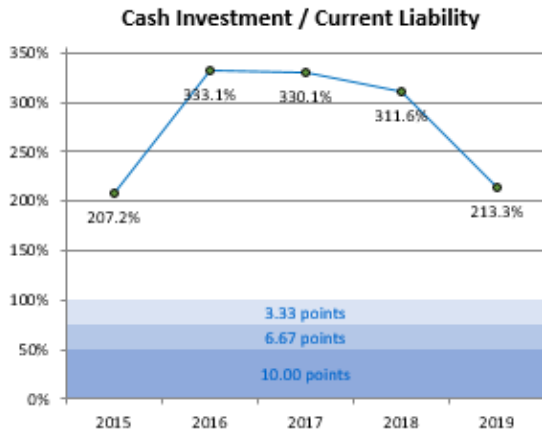
- The County has not issued short-term cash flow debt from 2017-2019 in the funds evaluated, which indicates that the County does not have cash flow issues. *(no points attributed to this area)*

Fixed Costs

- The County has maintained low fixed costs in the areas of personal services, employee benefits, and debt services, allowing for flexibility in responding to economic fluctuations. *(no points attributed to this area)*

Cash Position

- As far as the County’s cash position, its cash ratio as a percentage of current liabilities is strong; however, there is a slight indication of stress related to its cash ratio as a percentage of monthly expenditures. (6.67 points attributed to this area)



Ulster County has maintained its multi-year status without a stress designation. However, the levels of fiscal stress are shown to be creeping upward at the close of 2019. Due to the financial constraints of COVID 19 we expect the level of stress to remain the same or increase at the close of 2020.

Last year’s report advised that leadership should be commended for preserving the County’s financial standing, but policymakers must ensure that future budgets are as structurally balanced as possible (where recurring revenues support recurring expenditures) in order to remain in this position. Due to the 2019 budget not being structurally balanced, the increase in fiscal stress is noted. Similarly, the 2020 budget was not structurally balanced either, and considering the expected shortfalls in revenues, it is likely more fund balance will be absorbed, and cash levels will decrease further. Going forward, to preserve fiscal health in Ulster County we must work toward passing structurally balanced budgets.

We appreciate the annual opportunity provided to us by OSC to analyze the County’s fiscal health.