



Office of The Ulster County Comptroller

2018 Fiscal Stress Assessment

July 15, 2019

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 2018, the results of the Fiscal Stress Test show that Ulster County continued to be comfortably within a “no designation” classification. The following financial indicators are worth highlighting for Ulster County:

- The County has maintained an adequate year-end fund balance since 2013, which reinforces its ability to deal with any potential revenue shortfalls or expenditure overruns.
- The County has experienced operating deficits in three out of the past six years, but only one of the last three years. Multiple years of operating deficits may indicate financial hardship or that recurring revenues are insufficient to support recurring expenditures; however, the County subsequently rebounded from each deficit year to preserve an adequate level of fund balance. *(3.33 points attributed to this area)*
- 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. *(3.33 points attributed to this area)*
- The County has not issued short-term cash flow debt from 2016-2018, which indicates that the County does not have cash flow issues.
- 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.

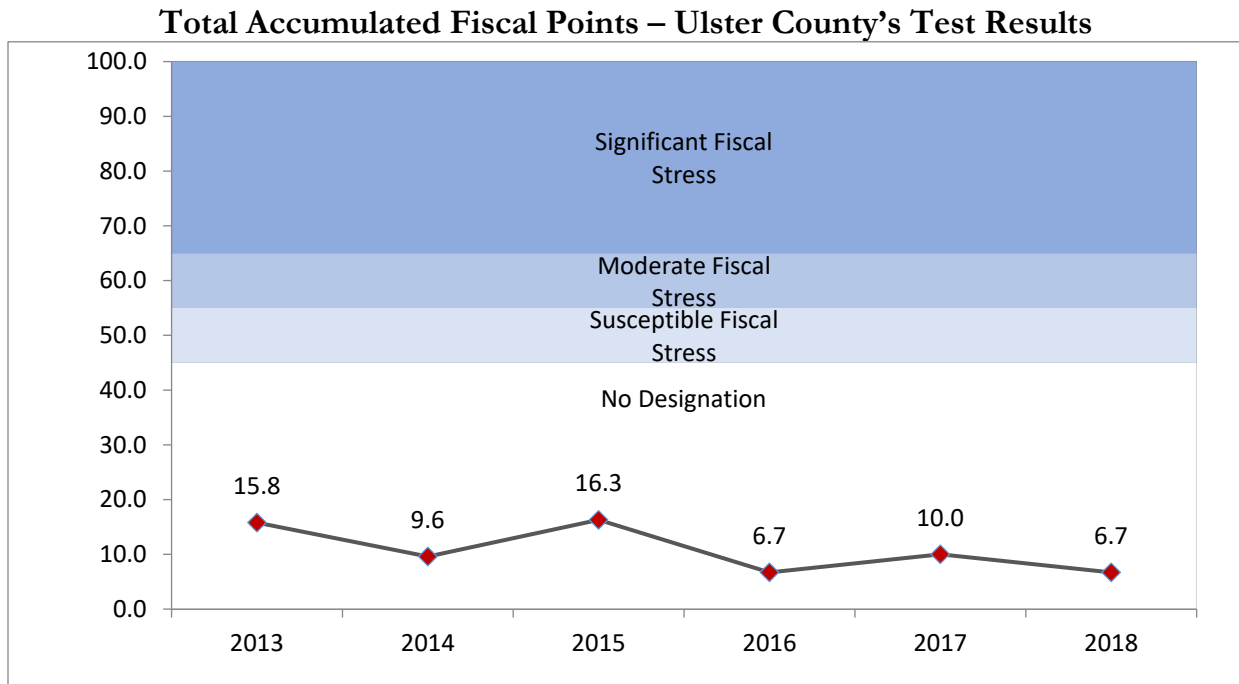
Fortunately, since the inception of the Test by OSC, Ulster County has never been deemed as operating within any category of fiscal stress. In conducting this year’s version of the Test, we utilized the most up-to-date Annual Financial

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>



Reports that were submitted to OSC, allowing us to provide a six-year overview of results and interpret the relevant factors that impacted current stress levels.

The following chart shows Ulster County’s Fiscal Stress Test scores from 2013-2018:



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

We are proud to share that Ulster County has maintained its multi-year status without a stress designation. Leadership should be commended for preserving the County’s financial standing, but policymakers must ensure that future budgets are as structurally balanced as possible in order to remain in this position.

The Test also evaluates the “**environmental stress**” of a municipality, analyzing a separate set of indicators that are normally outside of the direct control of elected officials and administrative leadership. We anticipate that OSC will release their official 2018 Test scores in the coming months, which will include the results of the 2018 environmental portion of the Test. We expect to follow up on the environmental segment at that time.

We appreciate the annual opportunity provided to us by OSC to analyze the County’s fiscal health and will continue to report on pertinent economic trends as they arise.