



THOMAS P. DINAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

March 2, 2015

Honorable Patricia Norris McDonald
Mayor, Village of Malverne
99 Church Street
Malverne, NY 11565

Dear Mayor Patricia Norris McDonald:

It was a pleasure talking to you and others last week regarding Comptroller DiNapoli's Fiscal Stress Monitoring System (FSMS) and concerns you have with the Village of Malverne receiving a designation of "Susceptible to Fiscal Stress" for fiscal year ending May 31, 2014. You expressed concerns that our system did not take into consideration the unique challenges and circumstances facing Malverne.

I applaud your interest in learning more about FSMS and how the System may be helpful for long-term financial planning. For clarification, FSMS is a standardized, uniform and objective scoring system that relies on financial data reported by each local government in their Annual Update Document (AUD). While every community is unique and the challenges that they face vary greatly, this System is limited in its ability to tell the individual stories behind the numbers. The primary purpose of the System is to evaluate budgetary solvency – the ability to generate sufficient revenue to cover expenses. Our indicators are based largely upon standard industry calculations including those developed by the International City/County Management Association. Results are intended to inform the critical discussions between taxpayers, local and state officials that will drive long-term strategic planning.

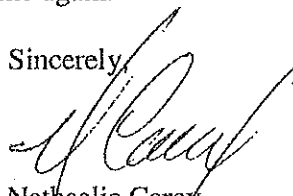
The classification of "susceptible to fiscal stress" was developed to denote entities that are exhibiting some signs of fiscal stress, but to a lesser degree than those entities classified in the "moderate" or "significant" stress categories. In the Fiscal Stress Report available on our website at <http://www.osc.state.ny.us/localgov/pubs/fiscalmonitoring/pdf/fiscalstressmonitoring.pdf> we provide a more extensive definition of each of the three fiscal stress categories and state that entities listed in the "susceptible" category have no immediate cause for alarm, in the short-term. You explained that your village has valid reasons for the reduction of fund balances, which was a primary factor in the FSMS designation. Some of these reasons include: constraints imposed by the New York State tax cap; impact of Superstorm Sandy; a significant one-time payment that was made to settle a tax certiorari claim by the New York American Water Company, Inc.; and a highly residential tax base with pressure from residents to keep property taxes low.

As we discussed, the System does not attempt to assess the effectiveness of the administration or management of individual local governments, nor does it capture any of the unique circumstances occurring at the local level that may provide additional context to help explain an entity's results.

That being said, the FSMS does provide "Environmental" scores and designations for each local government. Environmental designations generally reflect conditions that affect a local government but may be beyond the direct control of local officials. I note that the Village of Malverne has a "Susceptible Environmental Stress" designation which also adds context to the discussion of your overall fiscal stress rating.

I hope this information addresses your concerns about our fiscal stress monitoring system, and I appreciate having had the opportunity to clarify both its benefits and limitations. If you have additional questions or concerns please feel free to contact me again.

Sincerely,



Nathaalie Carey
Assistant Comptroller

cc: Keith Corbett, Village Trustee
Teresa Emmel, Village Clerk-Treasurer