



2013 FISCAL PROFILE

CITY OF GLOVERSVILLE

Overview

Gloversville is a small city located in Fulton County in the Mohawk Valley between the City of Amsterdam and the Adirondack Park. Like most other upstate cities, Gloversville has experienced difficulties stemming from long-term population loss. In 2010, Gloversville had a population of 15,665, down 34 percent from its peak of 23,634 in 1950.

Gloversville earned its name for being the center of the American glove-making industry for many years, with large tanneries and glove shops employing the majority of Gloversville's residents through the first half of the 20th century. Like many other cities in upstate New York, Gloversville's long-term population loss is largely due to the decline of its industry base, and unemployment and poverty rates are consistently higher than the State average.

Gloversville has controlled expenditures, which have grown only modestly over the past decade, enabling the City to build healthy fund balances. This progress led, in part, to an upgrade to the City's credit rating in December 2011.

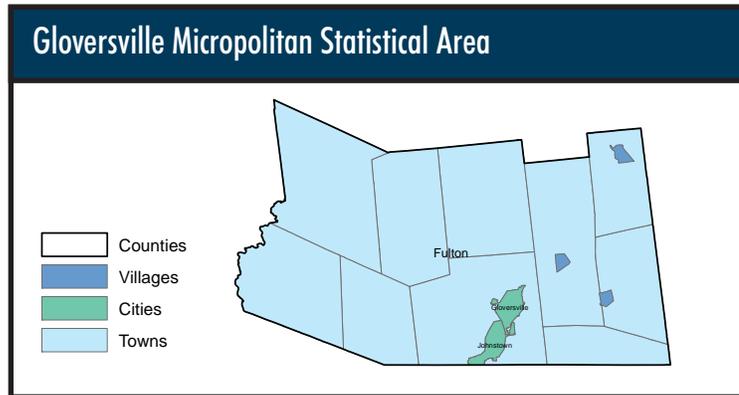
However, Gloversville still faces significant fiscal challenges, largely attributable to its inability to raise property taxes, as it has nearly exhausted its constitutional taxing limit. The inability to raise revenue through this source severely limits the City's flexibility to address unforeseen expenses and to make ongoing infrastructure investments.

- Gloversville's population has declined by 34 percent since its peak in 1950 and 24.1 percent of the families that remain are living in poverty, compared to the median of 13.7 percent for New York cities.
- Median home values of \$75,200 are well below the \$96,000 median for all cities, and Gloversville has a greater number of vacant housing units (13.3 percent) than the median city (9.2 percent).
- Census five-year average unemployment estimates show the City's unemployment rate at 13.5 percent, compared to the statewide rate of 8.2 percent.
- Gloversville's revenues and expenditures grew at an average annual rate of 2.6 and 2.1 percent, respectively, from 2001 to 2011, lower than the average annual growth in cities statewide of 3.4 percent for both.
- The slower rate of growth in expenditures has allowed the City to rebuild a healthy fund balance, reaching 15.5 percent of expenditures in 2011.
- The City has exhausted 93 percent of its Constitutional Tax Limit, and can only raise an additional \$505,000 through property taxes, limiting its financial flexibility.

Population and Economic Factors

Gloversville's population dropped 34 percent from its peak of 23,634 in 1950 to its lowest level of 15,413 in 2000. Since 2000, the population has remained relatively stable, growing slightly by 1.6 percent over the last decade to reach 15,665 by 2010.

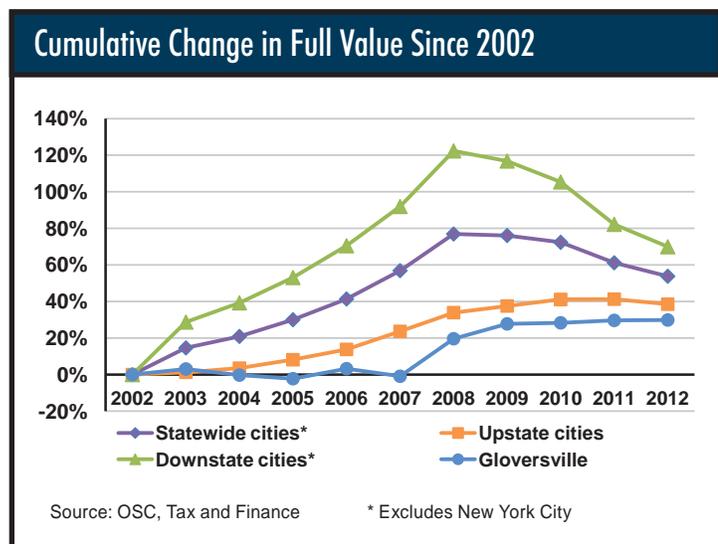
The City has a high rate of poverty. In 2010, 24.1 percent of families were living in poverty, more than double the statewide rate of 10.8 percent and higher than the average for all cities of 16.6 percent. In addition, the median household income of \$31,994 in 2010 was below that of the median city (\$37,607) and the statewide average (\$55,603).¹



No monthly unemployment rates are published for small cities like Gloversville. Fulton County's unemployment rate in November 2012 was 9.6 percent, compared with 7.9 percent statewide. However, the Census's American Community Survey (ACS) indicates that the City itself may well have even higher unemployment than Fulton County. The ACS uses five-year averages of survey data to determine estimated rates for very small local governments. For the 2007-2011 period, the ACS estimate of Gloversville's unemployment rate was 13.5 percent, much higher than the State's average unemployment rate of 8.2 percent over that same period, and even higher than the 9.3 percent for Fulton County.

Tax Base

The City's property values have tended to remain steady, neither rising nor falling as dramatically as in other cities, especially downstate. Gloversville did see some significant price increases towards the end of the acceleration in the State's housing market, growing 21 percent between 2007 and 2008. The full value of the City's real property grew by another 7 percent from 2008 to 2009, when downstate cities were losing value. And Gloversville has maintained that new, higher property value since that time.



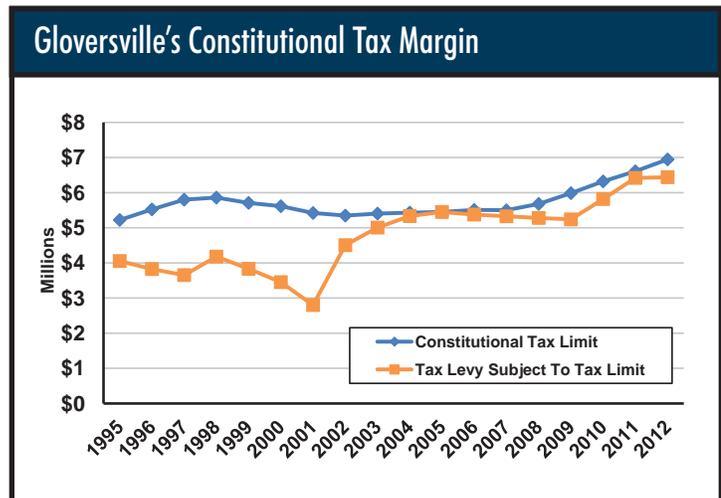
¹ Throughout this report, references to all cities, downstate cities, or median city exclude New York City

Although Gloversville’s property values are stable, they are well below average for cities in New York State. The City’s median home value of \$75,200 is well below the median value of \$96,000 for all cities. There are also more vacant housing units in the City than in the median city (13.3 percent compared to 9.2 percent). Both of these factors can adversely affect the City’s ability to collect property taxes. On a positive note, only 28.9 percent of the City’s properties are tax exempt, less than the median for New York’s cities.

The City’s low property values, weak growth in those values and a series of tax increases in the early part of the decade led to the City exhausting nearly 93 percent of its CTL by 2012, compared to the statewide city median of 44 percent.² Gloversville has been at 80 percent or more of its limit since 2002. In 2005, the City found itself just shy of 100 percent of its CTL, with an available tax margin of only \$49. Even with its slightly improved 2012 CTL of 93 percent and a tax margin of \$505,000, officials will be extremely restricted in their ability to raise taxes.

Moving forward, should the City experience an increase in property values, the tax margin and thus the City’s ability to raise taxes could grow. Conversely, if the City’s property values begin to decline, officials might be forced to lower taxes to stay within the CTL.

Housing Statistics		
	Gloversville	Median City
Home Ownership	51.7%	49.5%
Median Home Value	\$75,200	\$96,000
Vacant Units	13.3%	9.2%
Exempt from Tax	28.9%	32.0%



² The CTL caps the total amount of property tax a city can levy at 2 percent of the five-year average of its full value with certain exclusions.

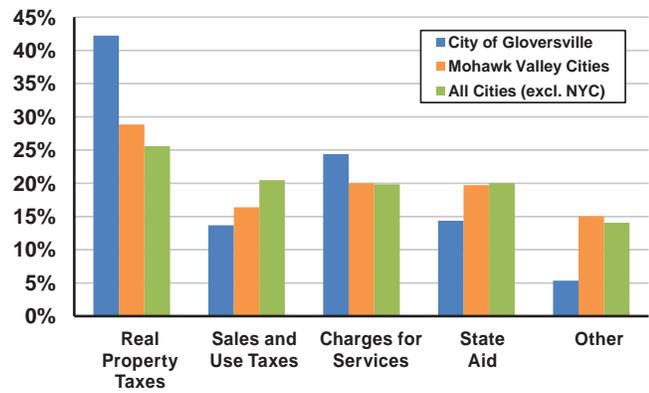
Revenues and Expenditures

Gloversville's revenues grew at an average annual rate of 2.6 percent between 2001 and 2011, compared to an average growth rate of 3.4 percent per year for all cities in the State. Large property tax increases in some years, interspersed with periods of little or no growth in property taxes, as the City brushed up against its CTL, resulted in an average annual rate of about 5 percent in property tax revenue increases from 2001 to 2011. Revenue from charges for services, which has grown 1.8 percent on an annual average basis, is buoyed by higher-than-average water fees and sewer rents.

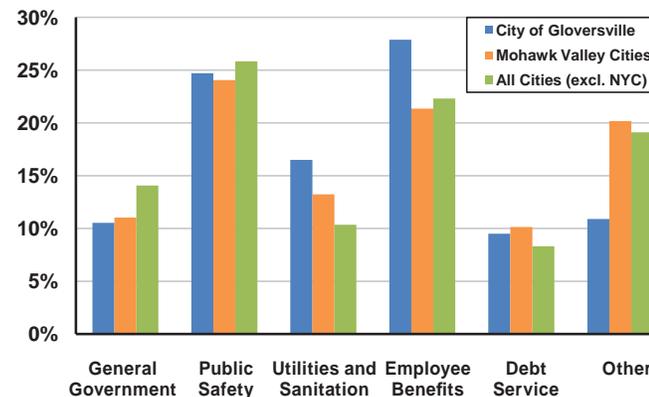
Compared to other cities, both in the Mohawk Valley and statewide, Gloversville relies more heavily on real property tax revenues (42.3 percent) and charges for services (24.3 percent), and relatively less on State aid, sales tax and other revenues. Gloversville receives significantly less in State Aid, mostly from Aid and Incentives for Municipalities (AIM), on a per capita basis (\$175) than the average for Mohawk Valley cities (\$288) or cities statewide (\$371).

Expenditures in Gloversville grew at an average annual rate of 2.1 percent between 2001 and 2011, compared to the statewide city average of 3.4 percent. Like most cities, Gloversville's spending is dominated by a combination of public safety and employee benefit costs, with the majority of benefits attributable to medical insurance. Together, these two areas account for 53 percent of total spending, a slightly higher percentage than for cities on average (48 percent), mostly due to higher-than-average employee benefits. Gloversville's spending in the area of utilities and sanitation is higher than that of other cities statewide and in the Mohawk Valley.

Revenue Sources as a Percentage of Total, 2011



Expenditure Areas as Percent of Total, 2011

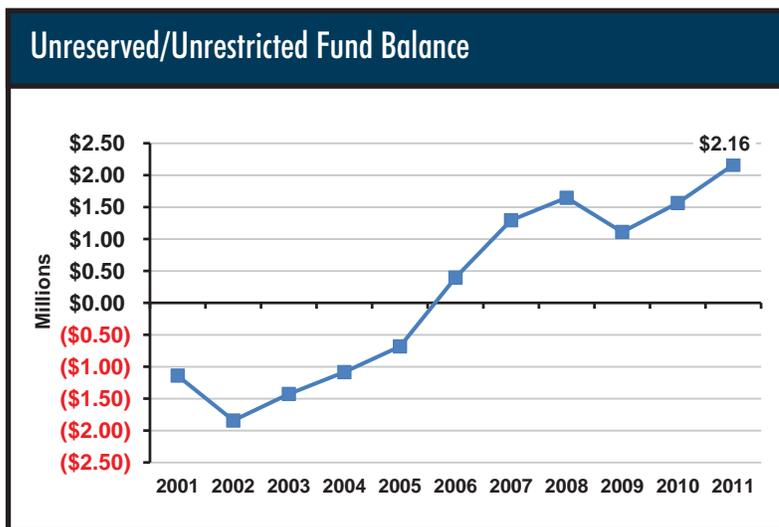


Current Budget Situation

According to its most recent annual financial report filed with OSC, the City's General Fund had a balance of \$2.16 million in 2011, or 15.5 percent of expenditures. This is an improvement over earlier in the decade, when the City had no unreserved fund balance. A healthy fund balance is particularly important for Gloversville in light of its proximity to its CTL, and attendant lack of ability to raise property taxes.

Due to its healthy fund balance, the City was able to pass a 2013 budget that did not include a tax increase, and preserved a small tax margin, by using about \$500,000 of its fund balance. City officials note that they expect to finish 2012 with a surplus of about that amount, meaning the City's fund balance by the end of 2013 would remain at approximately \$2 million. They also project new revenues and cost savings in 2014 that would reduce the need for further fund balance appropriations in future

years. However, if these anticipated revenues and savings do not materialize, the City may once again face difficult choices to ensure that its CTL is not exceeded.



Bond Ratings and Debt

In December 2011, Moody's Credit Rating Agency upgraded Gloversville's general obligation rating to Baa2 from Ba1, citing significant improvement in the City's financial operations, which resulted in stable, although narrow, reserve levels. Moody's cited the City's strengths as active management of financial operations, adequate reserve levels and new retail construction. The challenges included high fixed costs, weak income levels and a limited margin on the CTL.

The City had outstanding debt of \$6.1 million at the end of 2011, and had exhausted 24.6 percent of its Constitutional Debt Limit, slightly higher than the median for all cities statewide. Gloversville's total long-term outstanding debt burden was actually quite low, at \$391 per capita, or 1.7 percent of full value, compared with the median city's outstanding debt of \$1,300 per capita or 2.8 percent of full value. Debt service costs as a percentage of revenue were just below average, at 7.1 percent of revenues, compared with the median of 8.4 percent for all New York cities. Given the City's standing on these measures, it does have some flexibility to address infrastructure needs through the issuance of debt if necessary.

Gloversville vs. All Cities and New York State

Population 2010: 15,665	City of Gloversville	All Cities (excluding NYC)		New York State
		Median	Aggregate	
Demographic Indicators				
Percentage Change in Population, 1950-2010	-34%	-20%	-25%	31%
Median Household Income, 2010	\$31,994	\$37,607	N/A	\$55,603
Percentage of Families in Poverty, 2010	24.1%	13.7%	16.6%	10.8%
Property Value Indicators				
Median Home Value, 2010	\$75,200	\$96,000	N/A	\$303,900
Percentage Change in Full Value, 2007-2012	31.0%	11.6%	-1.3%	5.4%
Owner-Occupied Housing Units, 2010	51.7%	49.5%	45.4%	53.3%
Property Vacancy Rate, 2010	13.3%	9.2%	10.4%	9.7%
Percentage of Property Value That Is Tax Exempt, 2010	28.9%	32.0%	34.9%	25.6%
Revenue and Tax Indicators				
State Revenue Sharing Aid (AIM) per Capita, SFY 2012-13	\$146.99	\$146.80	\$289.50	N/A
Tax Limit Exhausted, 2012	93%	44%	N/A	N/A
GF Unreserved Fund Balance as a Percentage of Revenue, 2007	9.0%	13.1%	15.7%	N/A
GF Unreserved Fund Balance as a Percentage of Revenue, 2011	15.1%	10.1%	13.2%	N/A

Source: U.S. Census Bureau, American Community Survey, 5-year estimates, 2006-2010 and 2010 Census; Department of Taxation and Finance; New York State Labor Department; Office of the State Comptroller.

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