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July 12, 2024

Honorable Mike Spano, Mayor
City Council Members
City of Yonkers
City Hall
Yonkers, NY 10701-3886

Report Number: B24-6-7

Dear Mayor Spano and City Council Members,

By letter dated July 1, 2024, the Office of the State Comptroller, as Fiscal Agent for the City of Yonkers (City), determined that the City's adopted budget for fiscal year 2024-25 and the related justification documents are in material compliance with the requirements of the Fiscal Agent Act (Chapter 488 of the Laws of 1976, as amended) (Act) and the City's bond covenants incorporating provisions of the Act. While we have determined that the 2024-25 adopted budget materially complies with the provisions of the Act and related bond covenants, this letter includes comments we wish to share on issues which impact the City's financial condition in the current and future years.

Generally, the Act and related bond covenants require the City to appropriate for each cost category at least as much as was appropriated or spent in the previous two years and to only anticipate receiving miscellaneous revenue in amounts no greater than the amounts received in the prior two years. If the City wants to appropriate less money or budget additional miscellaneous revenue, it must provide to us a detailed justification supporting the proposed action.

The City's 2024-25 budget totals \$1.51 billion, which includes operating and debt service funding of \$794.2 million for the Yonkers Public Schools (District) and \$719 million for the City (Figure 1). The 2024-25 budget is \$81.2 million more than the City's budget for 2023-24, an increase of 5.7 percent.

Figure 1: 2024-25 City of Yonkers’s Adopted Budget

Fund	Appropriations and Provisions for Other Uses	Estimated Revenue	Appropriated Fund Balance	Fund Transfers In/(Out) ^a	Real Property Taxes
Board of Education Fund	\$794,165,979	\$455,656,275	\$40,000,000	\$298,509,704	\$0
General Fund	588,936,862	446,047,714	63,371,957	(359,824,899)	439,342,090
Debt Service Fund	64,291,694	0	205,935 ^b	64,085,759	0
Water Fund	44,566,382	45,703,685	5,998,273	(10,876,701)	3,741,125 ^c
Library Fund	11,743,526	82,980	482,195	11,178,351	0
Sewer Fund	8,965,812	11,671,427	857,849	(3,563,464)	0
Museum Fund	491,250	0	0	491,250	0
Total	\$1,513,161,505	\$959,162,081	\$110,916,209	\$0	\$443,083,215

a) Includes transfers to and from various funds.

b) Includes debt service for school debt.

c) Includes water frontage tax.

Nonrecurring Funding Sources

For the last 10 years, we have expressed concerns about the City’s continuous practice of balancing its budget by financing recurring operating expenditures with nonrecurring funding sources. However, officials continue using this practice as shown in their 2024-25 adopted budget, which uses nonrecurring funding of \$133.5 million to finance operating expenditures. This nonrecurring funding includes appropriated fund balance, one-time State and Federal funding and sale of property. The risks associated with this practice are detailed below.

Fund Balance¹ – The City is projecting unassigned general fund balance of \$118.9 million at the end of the 2023-24 fiscal year. The City appropriated \$63.4 million, or approximately 53 percent of the projected fund balance, in the 2024-25 adopted budget. In addition to appropriating fund balance in the general fund, the City has appropriated \$40 million of education fund balance, \$6 million of water fund balance, \$857,849 of sewer fund balance, \$482,195 of library fund balance and \$205,935 of debt service fund balance (Figure 2).

Figure 2: Fund Balance

Fund	Fund Balance Appropriated	Projected Fund Balance Available	Percent Used	Fund Balance Available Per Act	Percent Used
Board of Education Fund	\$40,000,000	\$70,976,423	56.4%	\$50,895,291	78.6%
General Fund	\$63,371,957	\$118,884,908	53.3%	\$63,371,957	100%
Debt Service Fund^a	\$205,935 ^a	\$8,460,773	2.4%	\$205,935	100%
Water Fund	\$5,998,273	\$11,726,765	51.2%	\$7,587,501	79.1%
Library Fund	\$482,195	\$590,158	81.7%	\$482,195	100.0%
Sewer Fund	\$857,849	\$1,934,831	44.3%	\$1,412,028	60.8%

a) Includes appropriated debt service fund balance for the education fund.

¹ To comply with the requirements of the Fiscal Agent Act (Laws of 1976, Chapter 488, as amended) and the City’s related bond covenants, the City’s 2024-25 adopted budget may not appropriate fund balance in excess of the aggregate of the fund balance of the various operating funds of the City as of the end of the 2022-23 fiscal year.

The City’s use of fund balance to close gaps in the budget decreases the fund balance that is available to cover unforeseen circumstances, shortfalls in revenue or cash flow needs. It also exposes the City to cash shortages that may impact operations. Retaining such a low amount of fund balance leaves the City without a cushion against unexpected costs or contingencies that may occur. City officials may have to replace this nonrecurring revenue in future budgets.

Additional Aid – The District’s 2024-25 adopted budget relies on additional State aid of \$12 million for District services and expenses. Although the aid may provide relief in the 2024-25 budget, this funding source may not be available in future years. The City’s reliance on additional State aid to finance District operating expenditures may cause funding gaps in the future.

Proceeds from State Loan – The District’s 2024-25 adopted budget relies on an additional \$5 million loan provided by the State to cover District expenses. This loan provides the District relief for the 2024-25 fiscal year, but it may not be available in future years. Additionally, the aid owed to the City will decrease by 1/30th each year until the loan is paid off.

Temporary Municipal Assistance – The City’s 2024-2025 adopted budget relies on additional State aid of \$5 million for City services and expenses. Although the aid may provide relief in the 2024-25 budget, this funding source may not be available in future years. The City’s reliance on additional State aid to finance the City’s operating expenditures may cause funding gaps in the future.

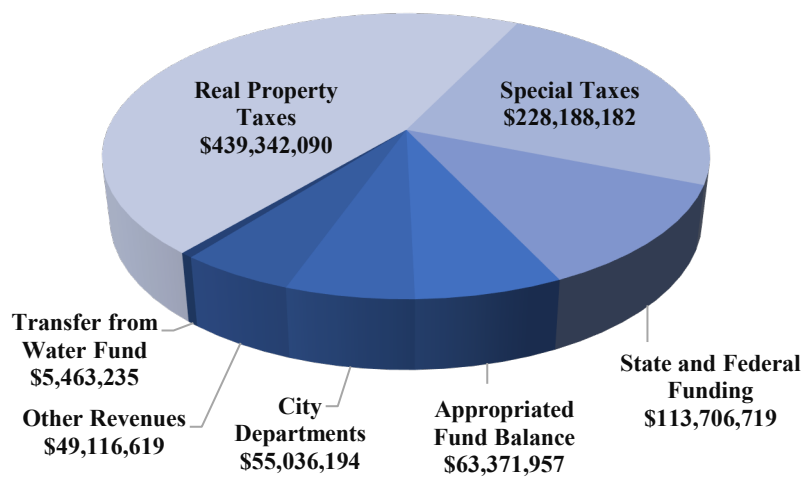
Overall, the City is relying on \$133.5 million of nonrecurring revenue – such as appropriated fund balance, one-time State and Federal funding and sale of property – to finance its 2024-25 operations. Although this funding provides relief in the 2024-25 budget, it may not be available in future years. Therefore, a potentially significant funding gap will occur in the 2025-26 fiscal year that the City must address by finding an alternate source of revenue or by reducing appropriations.

Revenues

The 2024-25 adopted budget submitted to our office for the City’s general fund revenues is summarized in Figure 3:

Real Estate Transfer Tax – The 2024-25 adopted budget includes real estate transfer tax revenues of \$12 million. In the 2022-23 fiscal year, the City received approximately \$14.1 million and is projected to receive approximately \$12.5 million for the 2023-24 fiscal year. Our revenue projection of \$10.3 million uses collection projections over the last six months due to a decline in

Figure 3: City's Revenue Summary - General Fund - \$954,224,996



housing sales. Therefore, the City could potentially face a shortfall of approximately \$1.7 million if revenue estimates are not realized.

Police – The 2024-25 adopted budget includes police revenues of \$7.4 million. In the 2022-23 fiscal year, the City received approximately \$8.4 million and is projected to receive approximately \$6.9 million for the 2023-24 fiscal year. Our projection of \$6.9 million for 2024-25 is based on 2023-24 projections and 2022-23 actuals. Therefore, the City could potentially face a shortfall of approximately \$522,000 if revenue estimates are not realized.

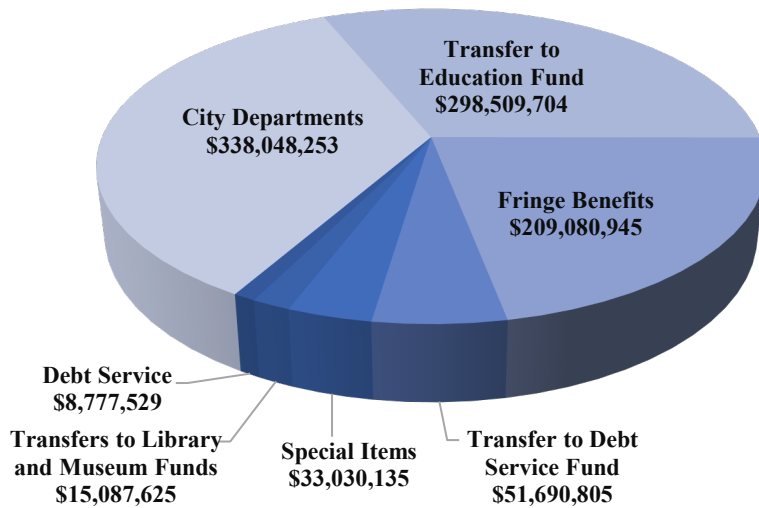
City and State Mortgage Tax – The 2024-25 adopted budget includes City and State mortgage tax revenues of \$6.8 million. Our revenue projection of \$6.3 million for 2024-25 uses revenue for 2023-24 with a projection of 2 percent decrease forecasted in the New York State Executive Financial Plan. Therefore, the City could potentially face a shortfall of approximately \$422,000 if revenue estimates are not realized.

Appropriations

The 2024-25 adopted budget submitted to our office for the City’s general fund appropriations is summarized in Figure 4:

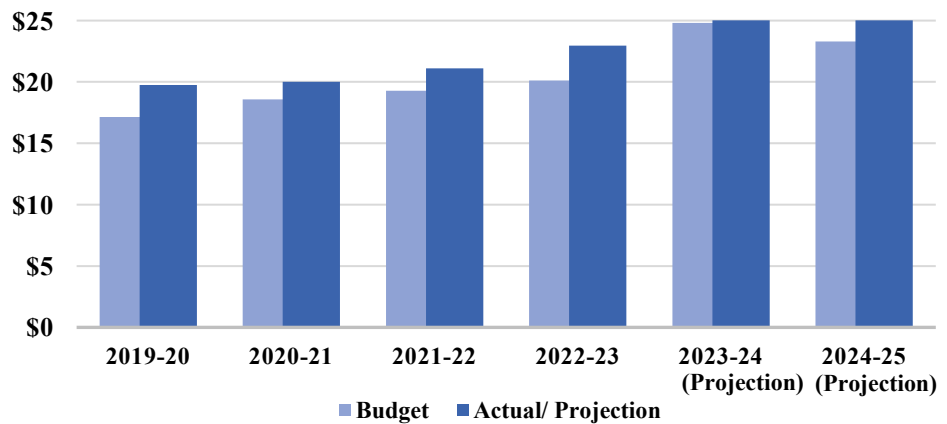
Tax Certiorari – The 2024-25 adopted budget includes payments of tax certiorari claims of \$500,000 which is low compared to the \$1.5 million in tax certiorari payments in 2022-23 and approximately \$3.4 million in 2023-24 (as of May 31, 2024). The City bonded to pay tax certiorari claims in prior years and adopted legislation to bond up to \$15 million for 2024-25 payments. The continued practice of using debt to pay for these recurring costs is imprudent. Refunds attributable to tax certiorari claims are a recurring cost of operations and should be paid from annual appropriations. The City officials’ practice of bonding the cost of tax certiorari claims instead of financing them through the operating budget increases the City’s debt and interest costs.

Figure 4: City's Appropriations Summary - General Fund - \$954,224,996



Police Overtime – The 2024-25 adopted budget includes overtime funding for the police department of \$23.3 million. The City spent \$23 million on police overtime in 2022-23 and approximately \$21.1 million in 2023-24 (as of May 31, 2024). Based on our projections, the City will spend approximately \$25.3 million on police

Figure 5: Police Overtime by Fiscal Year (in Millions)



overtime in the 2023-24 fiscal year. Based on historical trends, we project the City will spend the same amount for police overtime as our 2023-24 projections. Therefore, the City has likely underestimated overtime costs by as much as \$2 million (Figure 5).

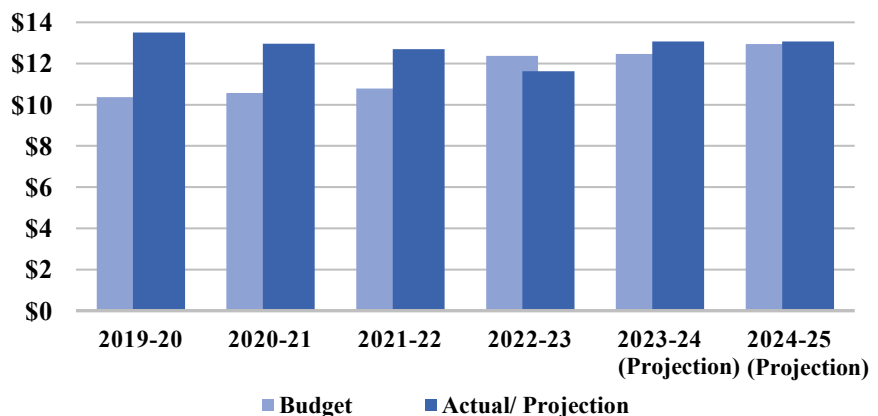
Employee Retirement – The 2024-25 adopted budget includes an appropriation for payments due to the New York State Local Retirement System (NYSLRS) of \$16.9 million. NYSLRS allows municipalities to amortize certain pension costs as part of a stabilization program, which spreads payments over several years, and the City elected to participate in the program. However, the minimum payment permitted under the program for 2024-25 is \$17.8 million (if paid by February 1, 2025). Therefore, the City has likely underestimated employee retirement costs by as much as \$945,000.

Life/Health/Dental Insurance – The 2024-25 adopted budget includes an appropriation for life, health and dental insurance of \$99.1 million. The City spent \$79.8 million in 2022-23. Based on historical trends of health insurance costs with a 7 percent increase, we project the City will spend approximately \$99.3 million in 2024-25. Therefore, the City has likely underestimated life, health and dental insurance costs by as much as \$195,000.

Social Security – The 2024-25 adopted budget includes an appropriation for social security payments of \$21.8 million. The City spent approximately \$20.8 million in 2022-23. Based on the budgeted 2025 wages and the increase in the 2025 Federal Insurance Contributions Act (FICA) wage limit, we project the City will spend approximately \$22 million. Therefore, the City has likely underestimated social security costs by as much as \$194,000.

Firefighting Overtime – The 2024-25 adopted budget includes overtime funding of \$12.9 million for the fire department. The City spent \$11.6 million on firefighting overtime in 2022-23 and approximately \$10.1 million in 2023-24 (as of May 31, 2024). Based on our projections, the City will spend approximately \$13.1 million on firefighting overtime in

Figure 6: Firefighting Overtime by Fiscal Year (in Millions)



the 2023-24 fiscal year. Based on historical trends, we project the City will spend the same amount on firefighting overtime as our 2023-24 projections. Therefore, the City has likely underestimated overtime costs by as much as \$131,000 (Figure 6).

Contingency – Contingency accounts are used by local governments as a means of providing funding for unexpected events. The 2024-25 adopted budget includes \$1.7 million general fund contingent reserve; this amount is less than one percent of the City’s general fund budgeted appropriations. Considering recent economic conditions, the significant budgetary concerns discussed in this letter, minimal fund balance left after what is appropriated and six of the City’s eight collective bargaining agreements (CBAs) have expired or will expire soon (Figure 7); it would be prudent for City officials to have contingency funding available for unforeseen increases in expenditures or revenue shortfalls. City officials should consider establishing a contingency appropriation at a level that will provide the City with adequate funding for any significant unforeseen costs.

Figure 7: CBA Expiration Dates

Bargaining Unit	CBA Expiration Date
Service Employees International Union Local 704	December 31, 2023
Service Employees International Union Local 704B	June 30, 2024
Teamster Local 456	December 31, 2023
Yonkers Firefighters Local 628	June 30, 2024
Yonkers Police Benevolent Association (PBA)	June 30, 2024
Yonkers Police Captains, Lieutenants and Sergeants Association (CLSA)	June 30, 2024
Yonkers Uniformed Fire Officers Association (UFOA)	June 30, 2024

Debt

Since 2016, the growth of the City's total outstanding debt has increased the annual debt service obligations by \$23.4 million (30.2 percent) (Figure 8).

The City will need \$100.8 million² to service its debt obligations during 2024-25. This amount represents about 6.9 percent of the City's annual budget. A

contributing factor to the debt increases is the City's continuing practice of bonding for recurring expenditures, such as tax certiorari costs, which should be included in budgeted appropriations.

The City's 2024-25 adopted budget includes a \$68.6 million capital budget. The City has included approximately \$10.7 million in operating costs for purchases such as textbooks, software and equipment for the Board of Education and vehicles, software and equipment for City departments which are a recurring expenditures and, therefore, should be an appropriation in the annual budget. By issuing debt for these items, the City will incur additional costs of bonding and may be making debt payments for many years past the useful life of these assets if it continues to borrow for operating costs such as textbooks, vehicles, software and equipment.

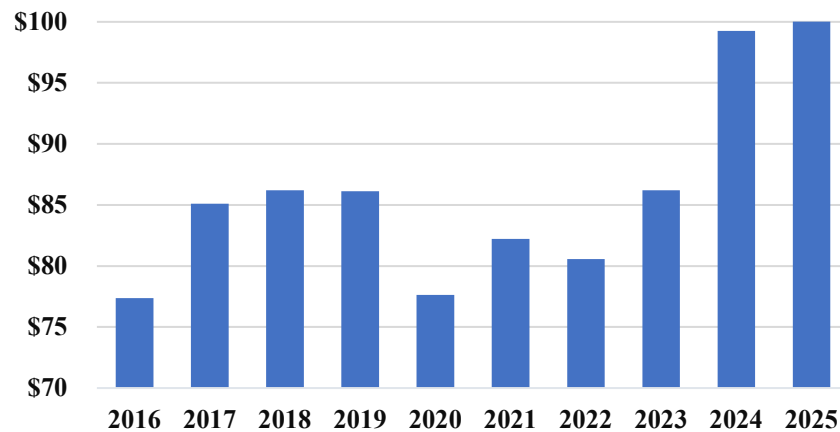
If you have any questions on the scope of our work, please contact Ms. Dara Disko-McCagg, Chief Examiner of our Newburgh Office, at (845) 567-0858.

Sincerely,

Robin Lois
Deputy Comptroller

cc: Vincent E. Spano, City Clerk
John Liszewski, Commissioner of Finance
Elizabeth Janocha, Deputy Commissioner of Finance
John Jacobson, Budget Director

**Figure 8: Debt Service Obligations by Fiscal Year
(in Millions)**



² Excluding appropriations under GASB 87 and 96 that were added to the debt service fund starting 2024-25 totaling \$13.2 million.

Hon. Carl E. Heastie, Speaker of the House, NYS Assembly
Hon. Crystal Peoples-Stokes, Majority Leader, NYS Assembly
Hon. William Barclay, Minority Leader, NYS Assembly
Hon. Helene E. Weinstein, Chair, Assembly Ways and Means Committee
Hon. Andrea Stewart-Cousins, President Pro Tempore and Majority Leader, NYS Senate
Hon. Robert Ort, Minority Leader, NYS Senate
Hon. Liz Krueger, Chair, Senate Finance Committee
Hon. Shelley Mayer, Chair, Senate Committee on Education
Blake G. Washington, Director, NYS Division of Budget
Dara Disko-McCagg, Chief Examiner, Newburgh Regional Office