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June 10, 2022

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

Report Number: B22-6-6

Dear Mayor Spano and City Council Members,

By letter dated June 1, 2022, 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 2022-23 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.

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. While we have determined that the 2022-23 budget materially complies with the provisions of the Act and related bond covenants, we wish to comment on the following issues which impact the City's financial condition in the current and future years.

The City's 2022-23 budget totals \$1.38 billion (Figure 1). The budget includes operating and debt service funding of \$692.9 million for the Yonkers Public Schools (District) and \$686.9 million for the City. The 2022-23 budget is \$128.4 million more than the City's budget for 2021-22, an increase of 10.3 percent.

<b>Figure 1: 2022-23 City of Yonkers' Adopted Budget</b>					
<b>Fund</b>	<b>Appropriations and Provisions for Other Uses</b>	<b>Estimated Revenue</b>	<b>Appropriated Fund Balance</b>	<b>Fund Transfers In/(Out)<sup>a</sup></b>	<b>Real Property Taxes</b>
<b>General Fund</b>	\$569,822,435	\$466,368,016	\$47,253,624	(\$340,888,751)	\$397,089,546
<b>Board of Education Fund</b>	692,939,570	395,610,922	9,351,771	287,976,877	0
<b>Library Fund</b>	11,075,609	66,986	1,262,514	9,746,109	0
<b>Museum Fund</b>	523,252	0	0	523,252	0
<b>Water Fund</b>	41,770,533	44,172,604	6,395,267	(8,797,338)	0
<b>Sewer Fund</b>	8,865,323	9,696,355	2,229,690	(3,060,722)	0
<b>Debt Service Fund</b>	54,876,202	0	375,629 <sup>b</sup>	54,500,573	0
<b>Total</b>	<b>\$1,379,872,924</b>	<b>\$915,914,883</b>	<b>\$66,868,495</b>	<b>\$0</b>	<b>\$397,089,546</b>

a) Includes transfers to and from various funds.  
b) Includes appropriated debt service fund balance for education fund.

## Nonrecurring Funding Sources

We previously 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 2022-23 adopted budget, which uses nonrecurring funding of \$142.7 million to finance operating expenditures. This nonrecurring funding includes appropriated fund balance, one-time State funding, one-time Federal funding and sale of property.

### Fund Balance<sup>1</sup> –

The City is projecting unassigned general fund balance of \$150.7 million at the end of the 2021-22 fiscal year. The City appropriated \$47.3 million, or approximately 31

<b>Figure 2: Fund Balance</b>					
<b>Fund</b>	<b>Fund Balance Appropriated</b>	<b>Projected Fund Balance Available</b>	<b>Percent Used</b>	<b>Fund Balance Available Per Act</b>	<b>Percent Used</b>
<b>General Fund</b>	\$47,253,624	\$150,673,386	31.4%	\$69,340,160	68.1%
<b>Board of Education Fund</b>	\$9,351,771	\$48,911,675	19.1%	\$44,542,079	21.0%
<b>Water Fund</b>	\$6,395,267	\$11,738,700	54.5%	\$9,523,221	67.2%
<b>Sewer Fund</b>	\$2,229,690	\$2,572,711	86.7%	\$2,549,900	87.4%
<b>Library Fund</b>	\$1,262,514	\$1,704,992	74.0%	\$1,262,514	100.0%
<b>Debt Service Fund<sup>a</sup></b>	\$375,629 <sup>a</sup>	\$502,881	74.7%	\$375,629	100.0%

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

percent of the projected fund balance, in the 2022-23 adopted budget. In addition to appropriating fund balance in the general fund, the City has appropriated \$9.4 million of education fund balance, \$6.4 million of water fund balance, \$2.2 million of sewer fund balance, \$1.3 million of library fund balance and \$375,629 of debt service fund balance (Figure 2).

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 will 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.

<sup>1</sup> 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 2022-23 adopted budget may not appropriate fund balance in excess of the aggregate of the fund balance of the City's various operating funds as of the end of the 2021-22 fiscal year.

Federal Aid – American Rescue Plan Act (ARPA) – The City’s 2022-23 adopted budget includes revenue of \$43.7 million in Federal aid provided under the ARPA Act of 2021. Although the aid may provide relief in the 2022-23 budget, this funding source may not be available in future years. The City’s reliance on additional Federal aid to finance operating expenditures may cause funding gaps in the future.

State Funding for Video Lottery Terminal (VLT) – The City's 2022-23 budget relies on additional State funding for VLT of \$19.6 million. Although the aid may provide relief in the 2022-23 budget, this funding source may not be available in future years. The City's reliance on additional State funding to finance City operating expenditures may cause funding gaps in the future.

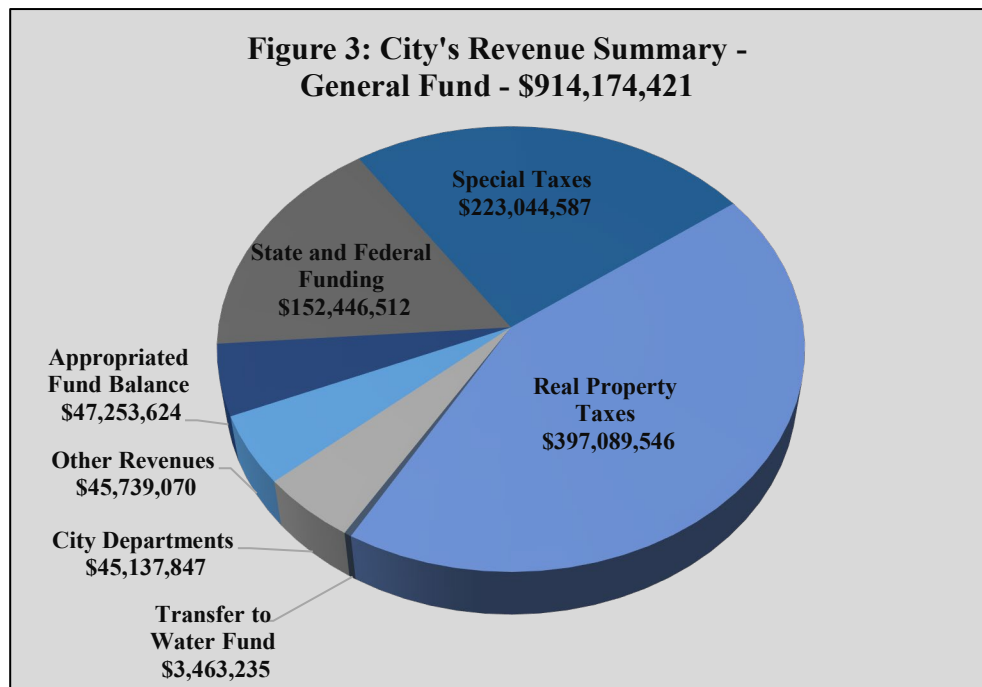
Additional Aid – The District’s 2022-23 budget relies on additional State aid of \$12 million for District services and expenses. Although the aid may provide relief in the 2022-23 budget, this funding source may not be available in future years. The City’s reliance on additional State aid to finance District operating expenditures may cause funding gaps in the future.

Overall, the City is relying on \$142.7 million of nonrecurring revenue – such as appropriated fund balance, one-time State funding, one-time Federal funding and sale of property – to finance its 2022-23 operations. Although this funding provides relief in the 2022-23 budget, it may not be available in future years. Therefore, a potential significant funding gap will occur in the 2023-24 fiscal year that the City must address by finding an alternate source of revenue or by reducing appropriations.

**Revenues**

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

Parks – The 2022-23 adopted budget includes parks revenues of \$2.6 million. We project the City will receive approximately \$2.2 million in the 2022-23 fiscal year based on 2021-22

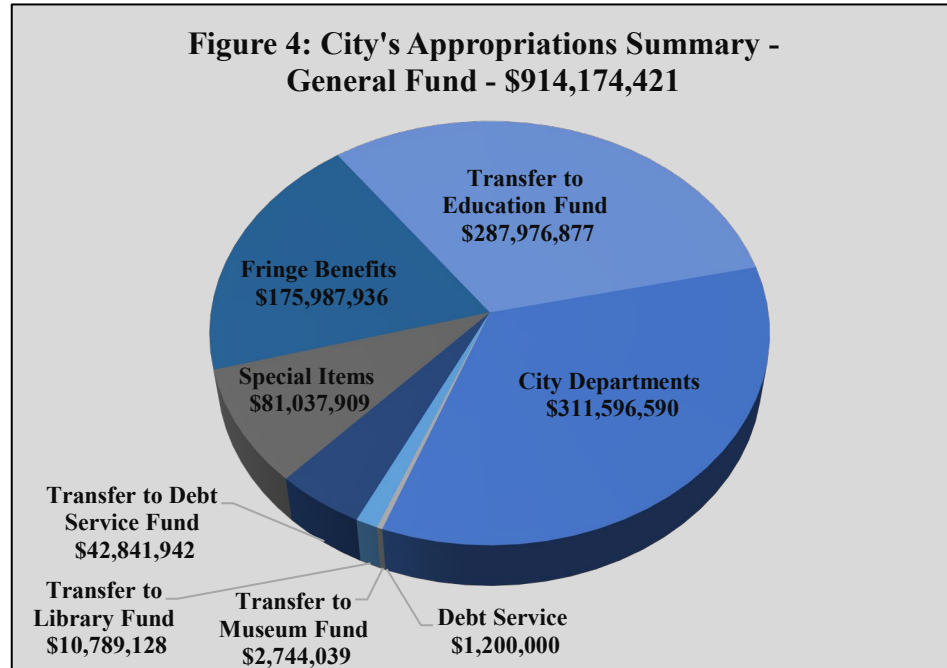


projections with no change. The City could potentially face a shortfall of \$387,000 if revenue estimates are not realized.

## Appropriations

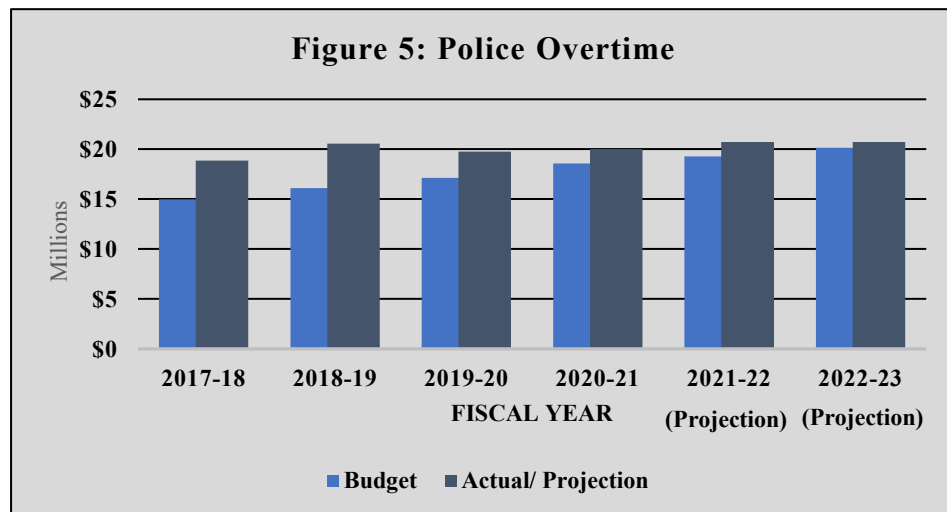
The adopted budget submitted to our office for the City's general fund appropriations is summarized in Figure 4.

Tax Certiorari – Tax certiorari is the legal process by which a property owner can challenge the real property tax assessment on a given property to reduce its assessment. The adopted 2022-23 budget includes \$500,000 for payment of tax certiorari claims, which is low compared to the \$5.1 million in tax



certiorari payments the City made so far in 2021-22. The City bonded to pay tax certiorari claims in prior years and plans to bond up to \$15 million for tax certiorari settlements in the 2022-23 fiscal year. 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 will incur additional debt and interest costs by bonding the cost of tax certiorari claims instead of financing them through the operating budget.

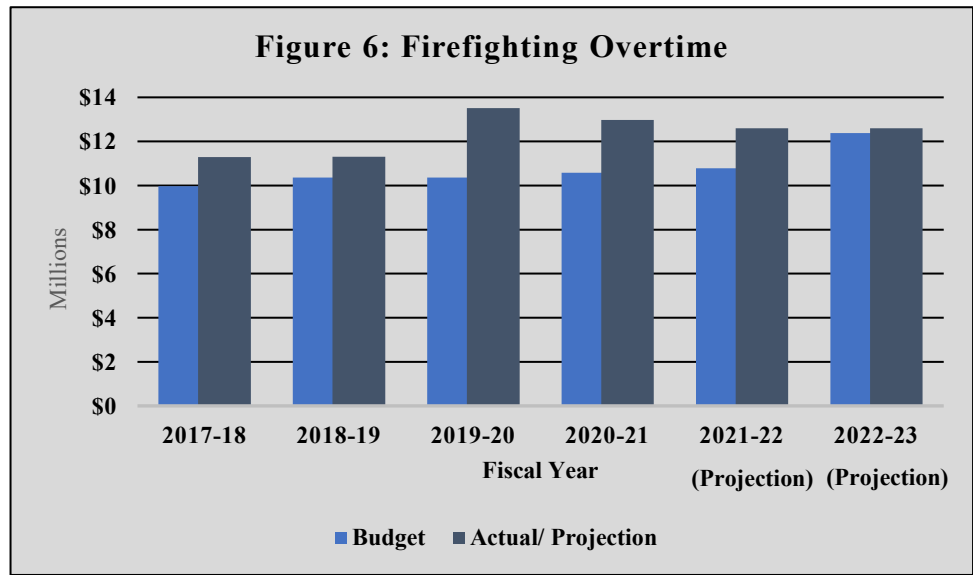
Police Overtime – The City's 2022-23 adopted budget includes overtime funding of \$20.1 million for the police department. The City spent \$20 million on police overtime in 2020-21 and approximately \$16.1 million in 2021-22 (as of



April 30, 2022). Based on our projections, the City will spend approximately \$20.7 million on police overtime in the 2021-22 fiscal year. Based on historical trends, we project the City will spend the same amount for police overtime as our 2021-22 projections, which means the appropriation for overtime is likely underestimated by as much as \$591,000 (Figure 5).

Workers' Compensation – The City's 2022-23 adopted budget includes a \$10.6 million appropriation for the payment of workers' compensation. The City spent \$12.4 million on workers' compensation in 2020-21 and approximately \$11.9 million in 2021-22 (as of April 30, 2022). Based on historical trends, excluding \$4.2 million budgeted for 2022-23 for the District's workers' compensation, we project the City will spend the same amount for workers' compensation as our 2021-22 projections. As a result, the City's appropriation is likely underestimated by as much as \$482,000.

Firefighting Overtime – The City's 2022-23 adopted budget includes overtime funding of \$12.4 million for the fire department. The City spent \$13 million on firefighting overtime in 2020-21 and approximately \$10.3 million in 2021-22 (as of April 30, 2022). Based on our projections, the City will spend approximately \$12.6 million on firefighting overtime in the 2021-22 fiscal year. Based on historical trends, we project the City will spend the same as 2021-22 projections, which means the appropriation for overtime is likely underestimated by as much as \$221,000 (Figure 6).



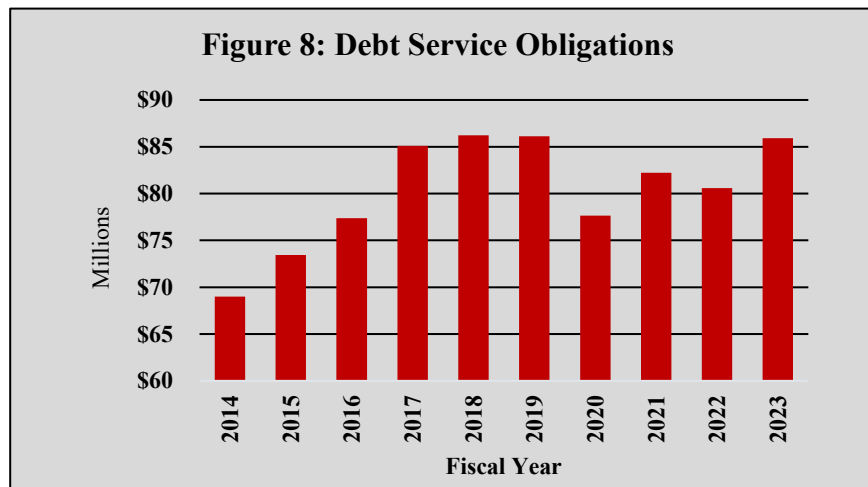
Contractual Settlements – The City’s 2022-23 budget includes payments for contractual settlements of \$33.7 million. Seven of the City’s eight collective bargaining agreements (CBAs) have expired (Figure 7).

The City could face additional expenditures when these contracts are settled. Therefore, the City Council should be mindful to ensure appropriations are sufficient for any potential liabilities when contract agreements are reached.

<b>Figure 7: CBA Expiration Dates</b>	
<b>Bargaining Unit</b>	<b>CBA Expiration Date</b>
Service Employees International Union (SEIU)	December 31, 2018
American Federation of State, County and Municipal Employees (AFSCME)	June 30, 2020
Teamster Local 456	December 31, 2018
Yonkers Police Benevolent Association (PBA)	June 30, 2019
Yonkers Police Captains, Lieutenants, and Sergeants Association (CLSA)	June 30, 2019
Yonkers Uniformed Fire Officers Association (UFOA)	June 30, 2019
Teamster Managers Local 456	June 30, 2020

### Debt Service

The City’s outstanding debt has grown 15.5 percent over the last 10 years. Since 2014, the City’s annual debt service obligations have risen by \$16.9 million (24.5 percent) (Figure 8). The City will need \$85.9 million to service its debt obligations during 2022-23. This amount represents about 6.2 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.



### Tax Cap Compliance

General Municipal Law Section 3-c (Law) established a tax levy limit for local governments, which was effective beginning in the 2012 fiscal year. The Law generally precludes local governments from adopting a budget that requires a tax levy that exceeds the prior year tax levy by more than 2 percent or the rate of inflation, whichever is less, unless the governing board adopts a local law to override the tax levy limit.

The City’s adopted 2022-23 budget includes a tax levy of \$397,089,546. The levy appears to be within the tax levy limit based on the City’s computation.

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,

Elliott Auerbach  
Deputy Comptroller

cc: Vincent E. Spano, City Clerk  
John Liszewski, Commissioner of Finance  
John Jacobson, Budget Director  
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, Majority Leader, NYS Senate  
Hon. Robert Ort, Minority Leader, NYS Senate  
Hon. Liz Krueger, Chair, Senate Finance Committee  
Hon. Shelley Mayer, NYS Senate  
Robert F. Mujica Jr., Director, NYS Division of Budget  
Dara Disko-McCagg, Chief Examiner, Newburgh Regional Office