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July 2, 2025

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

Report Number: B25-6-6

Dear Mayor Spano and Members of the City Council:

By letter dated June 27, 2025, 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 2025-26 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 us with a detailed justification supporting the proposed action.

While we have determined that the 2025-26 adopted 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 2025-26 adopted budget totals \$1.55 billion, which includes operating and debt service funding of \$809.2 million for the Yonkers Public Schools (District) and \$739.8 million for the City (Figure 1). The 2025-26 budget is \$35.8 million more than the City's budget for 2024-25, an increase of 2.4 percent.

Figure 1: 2025-26 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	\$809,160,334	\$486,862,275	\$24,000,000	\$298,298,059	\$0
General Fund	614,647,422	452,931,651	57,568,326	(348,026,880)	452,174,325
Debt Service Fund	58,406,404	0	8,821,571 ^b	49,584,833	0
Water Fund	45,148,780	45,299,966	5,092,034	(8,976,955)	3,733,735 ^c
Library Fund	11,923,153	95,758	258,151	11,569,244	0
Sewer Fund	9,265,236	11,114,286	1,031,151	(2,880,201)	0
Museum Fund	431,900	0	0	431,900	0
Total	\$1,548,983,229	\$996,303,936	\$96,771,233	\$0	\$455,908,060

a) Includes transfers to and from various funds.

b) Includes debt service for school debt.

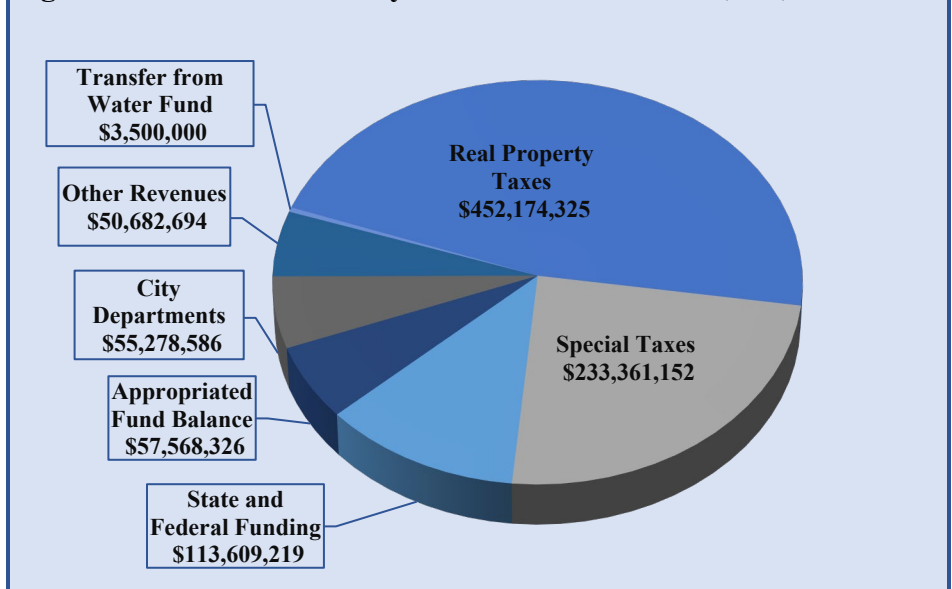
c) Includes water frontage tax.

Revenues and Nonrecurring Funding Sources

The 2025-26 adopted budget submitted to our Office for the City's general fund revenues is summarized in Figure 2:

For more than 10 years, we have expressed concerns about the City's continuous practice of balancing its budget by financing recurring operating expenditures with non-recurring funding sources. However, officials continue using this practice as shown in their 2025-26 adopted budget, which uses nonrecurring funding of \$114.4 million to finance operating expenditures. This nonrecurring funding includes appropriated fund balance, one-time

State and Federal funding and sale of property. Although this funding provides relief in the 2025-26 budget, it may not be available in future years. Therefore, a potentially significant funding gap could occur in the 2026-27 fiscal year that the City must address by finding an alternate source of revenue or by reducing appropriations.

Figure 2: Revenue Summary – General Fund – \$966,174,302

Fund Balance¹ – The City is projecting unassigned general fund balance of \$111.2 million at the end of the 2024-25 fiscal year, however, the City appropriated \$57.6 million, or approximately 52 percent of the projected fund balance, in the 2025-26 adopted budget. In addition to appropriating fund balance in the general fund, the City has appropriated \$24 million of education fund balance, \$8.8 million of debt service fund balance, \$5.1 million of water fund balance, \$1 million of sewer fund balance, and \$258,151 of library fund balance (Figure 3).

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 2025-26 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 2023-24 fiscal year.

Figure 3: Fund Balance

Fund	Fund Balance Appropriated	Projected Fund Balance Available	Percent Used	Fund Balance Available Per Act	Percent Used
General Fund	\$57,568,326	\$111,186,392	51.8%	\$57,568,326	100%
Board of Education Fund	\$24,000,000	\$38,757,722	61.9%	\$38,179,639	62.9%
Debt Service Fund^a	\$8,821,571	\$8,904,732	99.1%	\$8,821,571	100%
Water Fund	\$5,092,034	\$7,784,144	65.4%	\$5,845,770	87.1%
Sewer Fund	\$1,031,151	\$2,584,237	39.9%	\$2,289,631	45%
Library Fund	\$258,151	\$724,402	35.6%	\$258,151	100.0%

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

Although the City only used half of the fund balance appropriated in 2023-24, the City's use of fund balance to close gaps in the 2025-26 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.

Further, the City does not have a fund balance policy. Without a fund balance policy, the City Council and officials do not have guidance on when it is appropriate to use fund balance in its budget or the level of unrestricted fund balance that should be maintained to protect the City against unexpected costs.

Additional Aid – The District's 2025-26 adopted budget relies on additional State aid of \$12 million for District services and expenses. Although the aid may provide relief in the 2025-26 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.

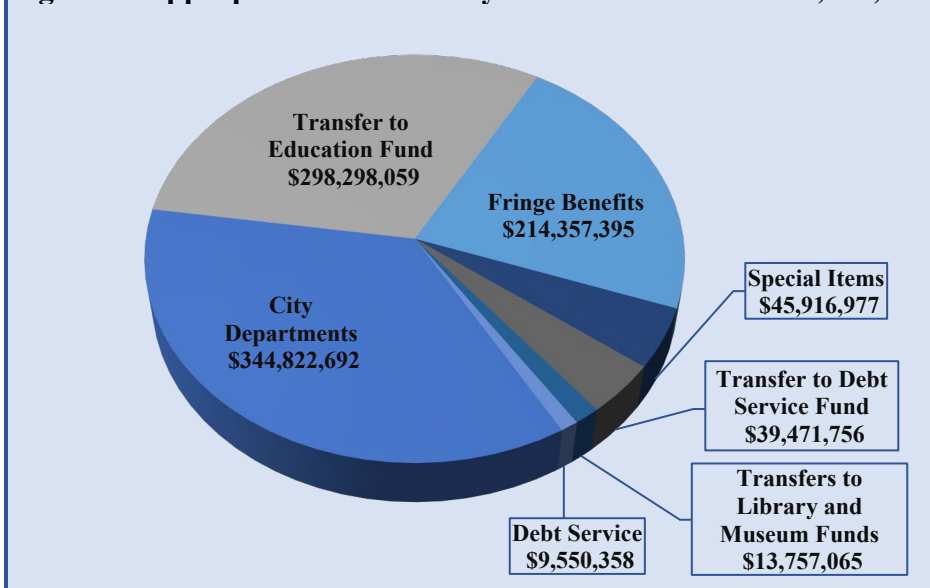
Temporary Municipal Assistance – The City's 2025-26 adopted budget relies on additional State aid of \$5 million for City services and expenses. Although the aid may provide relief in the 2025-26 budget, this funding source may not be available in future years. The City's reliance on additional State aid to finance the City's operating expenditures may cause funding gaps in the future.

Appropriations

The 2025-26 adopted budget submitted to our Office for the City's general fund appropriations is summarized in Figure 4:

Tax Certiorari – The 2025-26 adopted budget includes payments of tax certiorari claims of \$500,000. As of April 30, 2025, the City spent approximately \$2.5 million in 2024-25 from issued debt.²

The City bonded to pay tax certiorari claims in prior years and adopted legislation to bond up to \$15 million

Figure 4: Appropriations Summary – General Fund – \$966,174,302

² The City paid the \$2.5 million from bond proceeds that were issued in 2022.

for 2025-26 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.

Police and Fire Retirement – The 2025-26 adopted budget includes an appropriation for payments due to the New York State Local Retirement System (NYSLRS) of \$58.5 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 2025-26 is \$63.8 million (if paid by February 1, 2026). Therefore, the City has likely underestimated police and fire retirement costs by as much as \$5.3 million.

Police Overtime – The 2025-26 adopted budget includes overtime funding for the police department of \$25.3 million. The City spent \$25 million on police overtime in 2023-24 and approximately \$19.4 million in 2024-25 (as of April 30, 2025).

Based on our projections, the City will spend approximately \$25.6 million on police overtime in the 2024-25 fiscal year. Based on historical trends, we project the City will spend the same amount for police overtime as our 2024-25 projections. Therefore, the City has likely underestimated overtime costs by as much as \$341,000.

Contingency – Contingency accounts are used by local governments as a means of providing funding for unexpected events. The 2025-26 adopted budget does not include a general fund contingent reserve. However, the City has appropriated \$15 million to Strategic Allocation Vital Expense (SAVE); this amount is 1.5 percent of the City's general fund budgeted appropriations. Considering recent economic conditions, the budgetary concerns discussed in this letter, the minimal fund balance remaining after the 2025-26 budget appropriations and that all nine of the City's collective bargaining agreements (CBAs) have expired (Figure 5), 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.

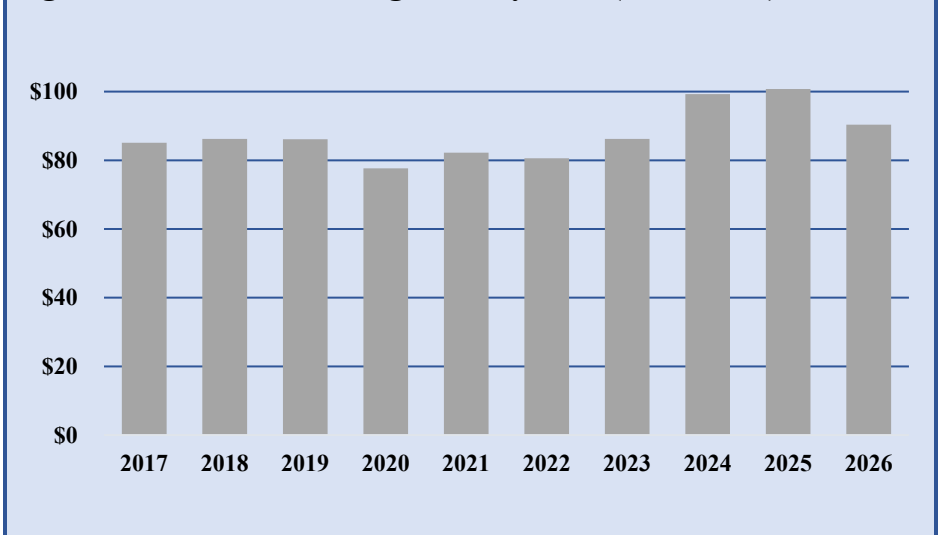
Figure 5: CBA Expiration Dates	
Bargaining Unit	CBA Expiration Date
American Federation of State, County and Municipal Employees Local 1897, Council 66 (AFSCME)	June 30, 2025
Service Employees International Union Local 704	December 31, 2023
Service Employees International Union Local 704B	June 30, 2024
Teamster Local 456	December 31, 2023
Teamster Managers Local 456	June 30, 2025
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

The City's outstanding debt has grown 19 percent over the last 10 years. Since 2017, the City's annual debt service obligations have risen by \$5.3 million (6.2 percent) (Figure 6).

The City will need \$90.4 million³ to service its debt obligations during 2025-26. This amount represents about 5.8 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.

Figure 6: Debt Service Obligations by Year (in Millions)



The City's 2025-26 adopted budget includes a \$130 million capital budget, an increase of \$61.4 million from the 2024-25 adopted budget. The City has included approximately \$18.5 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 expenditure 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 Mr. James L. Latainer, Chief of Municipal Audits of our Newburgh Office, at (845) 567-0858.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller

cc: Vincent E. Spano, City Clerk
John Liszewski, Commissioner of Finance
Elizabeth Janocha, Deputy Commissioner of Finance
John Jacobson, Budget Director
Hon. Carl E. Heastie, Speaker of the House, NYS Assembly
Hon. Crystal D. Peoples-Stokes, Majority Leader, NYS Assembly
Hon. William A. Barclay, Minority Leader, NYS Assembly
Hon. J. Gary Pretlow, Chair, Assembly Ways and Means Committee
Hon. Andrea Stewart-Cousins, President Pro Tempore and Majority Leader, NYS Senate
Hon. Robert G. Ort, Minority Leader, NYS Senate
Hon. Liz Krueger, Chair, Senate Finance Committee
Hon. Shelley B. Mayer, Chair, Senate Committee on Education

³ Excluding appropriations under GASB 87 and 96 that were added to the debt service fund starting 2023-24 totaling \$13.3 million for 2025-26.

Blake G. Washington, Director, NYS Division of Budget
James L. Latainer, Chief of Municipal Audits, Newburgh Regional Office