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July 3, 2026

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

City of Yonkers – 2026-27 Budget Review Letter
Report Number: B26-6-6

Dear Mayor Spano and Members of the City Council:

By letter dated June 15, 2026, 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 2026-27 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 determined that the 2026-27 adopted budget materially complies with the provisions of the Act and related bond covenants, certain budgetary practices continue to pose risks to the City's long-term financial condition. Specifically, the budget relies on \$147.2 million in nonrecurring funding sources, including appropriated fund balance, one-time State and federal aid and revenues from property sales, to finance recurring operating expenditures. Similar concerns were communicated to City officials in prior years; however, the City continues to rely on these funding practices to balance the City's budget. As a result, the City may face significant budgetary and cash flow challenges in future years if these resources are unavailable.

The City's 2026-27 adopted budget totals \$1.64 billion, which includes operating and debt service funding of \$822.5 million for the Yonkers Public Schools (District) and \$813.6 million for the City (Figure 1). The 2026-27 budget is \$87.1 million more than the City's budget for 2025-26, an increase of 5.6 percent.

Figure 1: 2026-27 City of Yonkers 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	\$822,451,024	\$506,080,233	\$18,000,000	\$298,370,791	\$0
General Fund	686,572,838	527,283,093 ^b	39,500,000	-355,710,255	475,500,000
Debt Service Fund	59,537,616	0	2,675,644 ^c	56,861,972	0
Water Fund	45,231,513	46,659,329	3,306,939	-8,438,867	3,704,112 ^d
Library Fund	12,267,900	88,593	510,894	11,668,413	0
Sewer Fund	9,606,891	11,227,650	1,563,195	-3,183,954	0
Museum Fund	431,900	0	0	431,900	0
Total	\$1,636,099,682	\$1,091,338,898	\$65,556,672	\$0	\$479,204,112

a) Includes transfers to and from various funds.

b) General fund estimated revenues comprise special taxes, State and federal funding, City departments, and other revenue, as detailed in Figure 2.

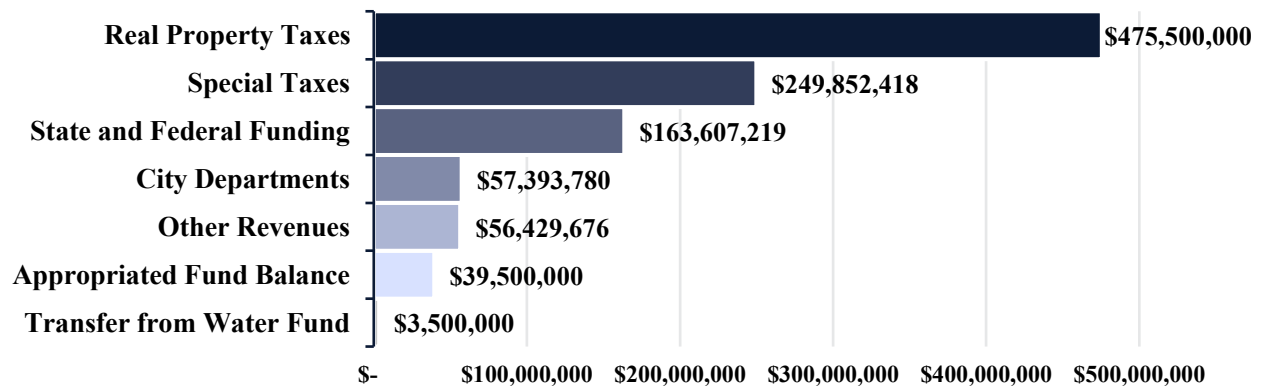
c) Includes debt service for school debt.

d) Includes water frontage tax.

Revenues and Nonrecurring Funding Sources

The 2026-27 adopted budget submitted to our Office for the City’s general fund revenues is summarized in Figure 2.

Figure 2: City’s Revenue Summary – General Fund - \$1,045,783,093



For more than 15 years, we have expressed concerns about the City’s continued 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 2026-27 adopted budget, which uses nonrecurring funding of \$147.2 million to finance operating expenditures. This nonrecurring funding includes appropriated fund balance, one-time State and federal aid and revenue received from the sale of property. Although this funding provides relief in the 2026-27 budget, it may not be available in future years. Therefore, a potentially significant funding gap

could occur in the 2027-28 fiscal year that the City must address by finding an alternate source of revenue or by reducing appropriations.

Fund Balance¹ – City officials are projecting unassigned general fund balance of \$106.4 million at the end of the 2025-26 fiscal year and appropriated \$39.5 million, or approximately 37 percent of the projected fund balance, in the 2026-27 adopted budget. In addition to appropriating fund balance in the general fund, City officials appropriated \$18 million of education fund balance, \$3.3 million of water fund balance, \$2.7 million of debt service fund balance, \$1.6 million of sewer fund balance, and \$510,894 of library fund balance (Figure 3).

Figure 3: Fund Balance

Fund	Fund Balance Appropriated	Projected Fund Balance Available	Percent Used	Fund Balance Available Per Act	Percent Used
General Fund	\$39,500,000	\$106,428,606	37.1%	\$61,034,697	64.7%
Board of Education Fund	\$18,000,000	\$19,854,730	90.7%	\$22,856,678	78.8%
Water Fund	\$3,306,939	\$6,722,841	49.2%	\$4,388,319	75.4%
Debt Service Fund^a	\$2,675,644	\$11,176,497	23.9%	\$2,675,644	100.0%
Sewer Fund	\$1,563,195	\$2,286,889	68.4%	\$2,146,296	72.8%
Library Fund	\$510,894	\$753,698	67.8%	\$510,894	100.0%

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

The City’s use of fund balance to close gaps in the 2026-27 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 need 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 the City’s budget or the level of unrestricted fund balance that should be maintained to protect the City against unexpected costs.

Additional State Aid – The 2026-27 adopted budget relies on additional State aid totaling \$81 million. Specifically, the adopted budget includes:

- Miscellaneous municipal assistance totaling \$40 million to absorb District expenditures and close the District’s projected budget gap.

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 2026-27 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 2024-25 fiscal year.

- Additional State aid for District services and expenditures totaling \$26 million.
- Temporary municipal assistance totaling \$15 million for City services and expenditures, such as public safety.

Although the additional State aid provides relief in the 2026-27 budget, these funding sources may not be available in future years. The City’s reliance on additional State aid to finance City and District operating expenditures may cause funding gaps in the future.

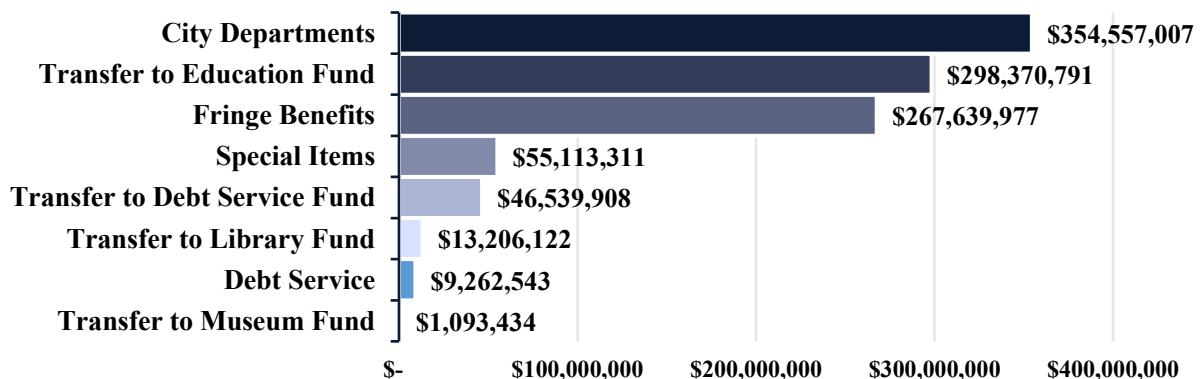
Utilities Gross Receipts – The 2026-27 adopted budget includes utilities gross receipts revenue of approximately \$11.5 million. In the 2024-25 fiscal year, the City received approximately \$11.9 million and is projected to receive approximately \$10.8 million for the 2025-26 fiscal year. Based on 2025-26 projections and 2024-25 actuals, we project the City will receive \$10.8 million for 2026-27. Therefore, City officials could potentially face a shortfall of approximately \$708,000 if revenue estimates are not realized and should monitor this revenue closely throughout the fiscal year.

Real Estate Transfer Tax – The 2026-27 adopted budget includes real estate transfer tax revenue of approximately \$14.2 million. In the 2024-25 fiscal year, the City received approximately \$14.9 million and is projected to receive approximately \$13.5 million for the 2025-26 fiscal year. Based on 2025-26 projections and 2024-25 actuals, we project the City will receive \$13.5 million for 2026-27. Therefore, City officials could potentially face a shortfall of approximately \$706,000 if revenue estimates are not realized and should monitor this revenue closely throughout the fiscal year.

Appropriations

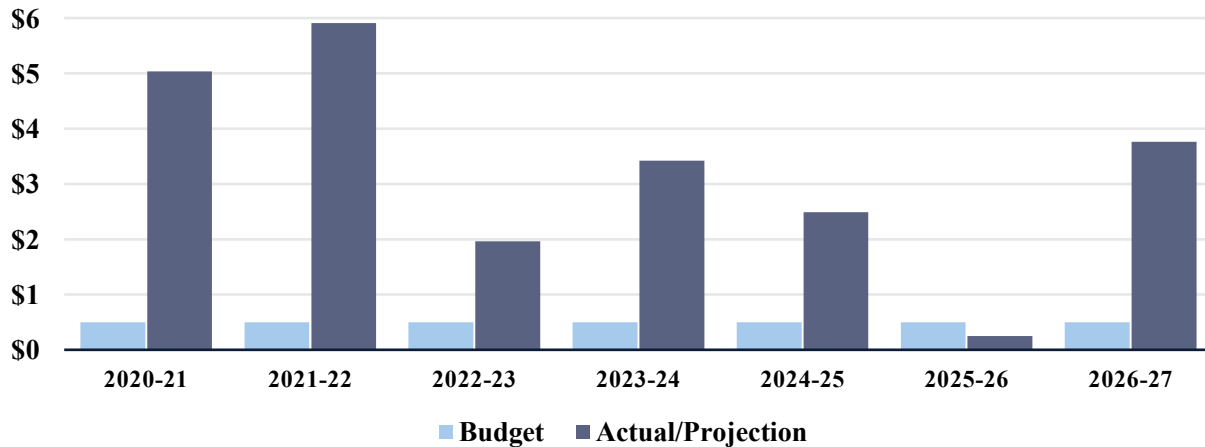
The 2026-27 adopted budget submitted to our Office for the City’s general fund appropriations is summarized in Figure 4:

Figure 4: City’s Appropriations Summary – General Fund - \$1,045,783,093



Tax Certiorari – The 2026-27 adopted budget includes payments of tax certiorari claims of \$500,000. The City spent \$2.5 million in 2024-25 and approximately \$247,600 in 2025-26 (as of June 3rd, 2026) from issued debt (Figure 5).

Figure 5: Tax Certiorari by Fiscal Year (in Millions)^a



a) Fiscal years 2025-26 and 2026-27 are projected.

City officials bonded to pay tax certiorari claims in prior years (\$20.3 million since 2021) and adopted legislation to bond up to \$15 million for 2026-27 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. 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.

Firefighting Overtime – The 2026-27 adopted budget includes overtime funding for the fire department of \$12.9 million. The City spent \$13.2 million on firefighting overtime in 2024-25 and approximately \$12.9 million in 2025-26 (as of April 30, 2026). Based on our projections, the City will spend approximately \$16.9 million on firefighting overtime in the 2025-26 fiscal year. If firefighting overtime expenditures continue to increase, City officials may have underestimated overtime costs by as much as \$4 million in the 2026-27 budget.

Life/Health/Dental Insurance – The 2026-27 adopted budget includes an appropriation of approximately \$151.1 million for life, health and dental insurance. The City spent \$94.4 million in 2024-25. Based on an anticipated 8 percent increase in health insurance costs, we project the City will spend approximately \$152.5 million in 2026-27. Therefore, City officials may have underestimated life, health and dental insurance costs by as much as \$1.3 million in the 2026-27 budget.

Police Overtime – The 2026-27 adopted budget includes overtime funding for the police department of \$25.4 million. The City spent \$25.7 million on police overtime in 2024-25 and approximately \$19.8 million in 2025-26 (as of April 30, 2026). Based on our projections, the City will spend approximately \$26.2 million on police overtime in the 2025-26 fiscal year. If police

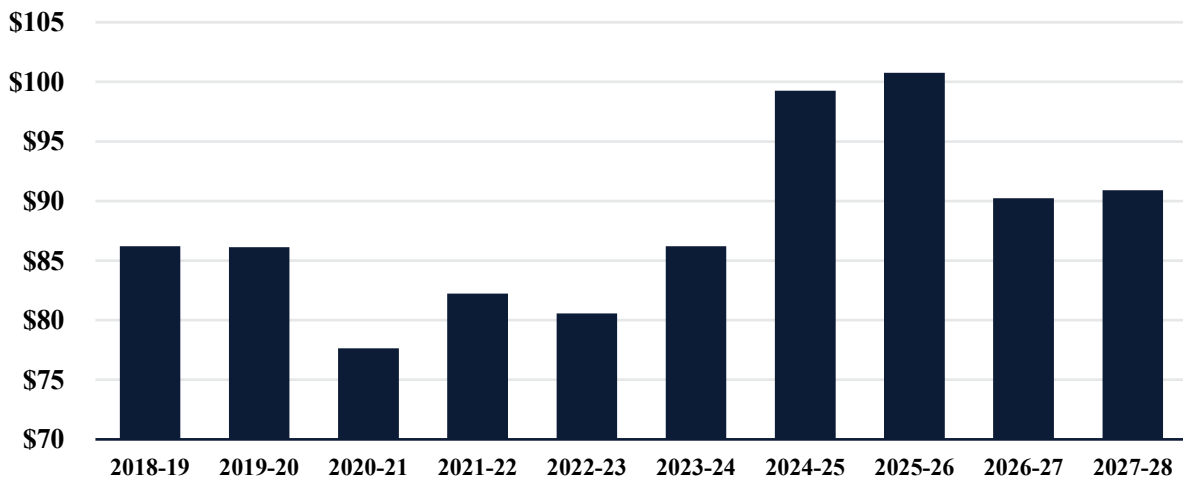
overtime expenditures continue to increase, City officials may have underestimated overtime costs by approximately \$738,000 in the 2026-27 budget. While the City’s police overtime expenditures have more closely aligned with estimated appropriations in recent years, City officials should continue to monitor these expenditures closely.

Contingency – Contingency accounts are used by local governments as a means of providing funding for unexpected events. The 2026-27 adopted budget includes a general fund contingent reserve of \$13.9 million and \$1.6 million to Strategic Allocation Vital Expense, or about 1.5 percent of the City’s general fund budgeted appropriations. Considering recent economic conditions, the budgetary concerns discussed in this letter, the use of fund balance and that four of the City’s nine collective bargaining agreements (CBAs) have expired,² 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.

Debt

The City’s outstanding debt has grown 51 percent over the last 10 years. Since 2018, the City’s annual debt service obligations have risen by \$4.7 million (5.5 percent) (Figure 6).

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



The City will need \$90.9 million³ to service its debt obligations during 2026-27. This amount represents about 5.8 percent of the City’s annual budget. A contributing factor to the debt increases

² The Yonkers Firefighters Local 628, the Yonkers Police Benevolent Association, the Yonkers Police Captains, Lieutenants and Sergeants Association, and the Yonkers Uniformed Fire Officers Association CBAs all expired as of June 30, 2024.

³ Excluding appropriations under GASB 87 and 96 that were added to the debt service fund totaling \$13.3 million for 2026-27.

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 2026-27 adopted budget includes a \$135.8 million capital budget, an increase of \$5.8 million from the 2025-26 adopted budget. The City has included approximately \$21.2 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 recurring expenditures and, therefore, should be appropriated 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 Regional 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. Edward P. Ra, 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
Blake G. Washington, Director, NYS Division of Budget
James L. Latainer, Chief of Municipal Audits, Newburgh Regional Office