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July 2, 2021

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

Report Number: B21-6-8

Dear Mayor Spano and City Council Members,

By letter dated July 2, 2021, 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 2021-22 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 2021-22 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.

Due to the ongoing economic impacts that the COVID-19 pandemic (pandemic) continues to have, City officials should carefully monitor revenues and expenditures, and make adjustments to the budget as needed throughout the year as more information becomes available. Additionally, City officials should develop a plan in the event revenue projections are not realized.

The City's 2021-22 budget totals \$1.25 billion (Figure 1). The budget includes operating and debt service funding of \$663.6 million for the Yonkers Public Schools (District) and \$587.9 million for the City. The 2021-22 budget is \$16.7 million more than the City's budget for 2020-21, an increase of 1.35 percent.

Figure 1: 2021-22 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
General Fund	\$484,021,398	\$413,480,347 ^b	\$5,904,566	(\$326,088,891)	\$390,725,376
Board of Education Fund	\$663,577,755	\$374,662,546	\$8,372,146	\$280,543,063	\$0
Library Fund	\$10,729,238	\$67,000	\$660,149	\$10,002,089	\$0
Museum Fund	\$275,000	\$0	\$0	\$275,000	\$0
Water Fund	\$35,984,882	\$41,944,767	\$3,699,711	(\$9,659,596)	\$0
Sewer Fund	\$7,544,397	\$9,362,503	\$1,086,818	(\$2,904,924)	\$0
Debt Service Fund	\$49,379,519	\$0	\$1,546,260 ^c	\$47,833,259	\$0
Total	\$1,251,512,189	\$839,517,163	\$21,269,650	\$0	\$390,725,376

^a Includes transfers to and from various funds.
^b Includes Aid and Incentives to Municipalities (AIM) received in 2021 from fiscal year 2020
^c Includes appropriated debt service fund balance for education fund

Nonrecurring Funding Sources

In prior years, we have expressed concern about the City's practice of financing recurring operating expenditures with nonrecurring funding sources. Officials continued these practices, as the 2021-22 budget includes nonrecurring funding of \$55.2 million to finance operating expenditures such as appropriated fund balance, one-time State funding and sale of property.

Fund Balance – The City is projecting unassigned general fund balance of \$31.9 million at the end of the 2020-21 fiscal year (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 could impact

Figure 2: Fund Balance					
Fund	Fund Balance Appropriated	Projected Fund Balance Available	Percent Used	Fund Balance Available Per Act^a	Percent Used
General Fund	\$5,904,566	\$31,866,665	18.5%	\$5,904,566	100.0%
Board of Education Fund	\$8,372,146	\$30,080,591	27.8%	\$23,263,723	36.0%
Water Fund	\$3,699,711	\$11,443,630	32.3%	\$8,923,287	41.5%
Sewer Fund	\$1,086,818	\$2,771,076	39.2%	\$2,672,238	40.7%
Debt Service Fund^b	\$1,546,260	\$1,624,510	95.2%	\$1,546,260	100.0%
Library Fund	\$660,149	\$1,285,300	51.4%	\$660,149	100.0%
^a 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 2021-22 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 2019-20 fiscal year. ^b Includes appropriated debt service fund balance for the education fund.					

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 will have to replace this nonrecurring revenue in the 2022-23 budget.

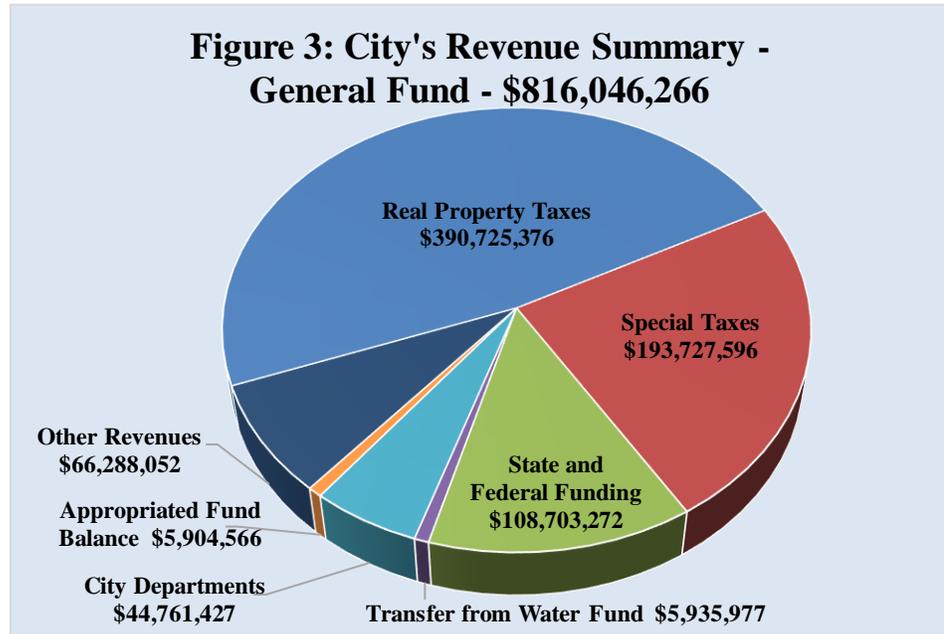
Additional Aid – The District’s 2021-22 budget relies on additional State aid of \$12 million for District services and expenses. Although the aid may provide relief in the 2021-22 budget, this funding source may not be available in future years. The City’s reliance on additional State aid to finance District operating expenditures may cause funding gaps in the future.

Overall, the City is relying on \$55.2 million of nonrecurring revenue to finance its 2021-22 operations. Although this funding provides relief in the 2021-22 budget, it may not be available in future years. Therefore, a potential significant funding gap will occur in the 2022-23 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.

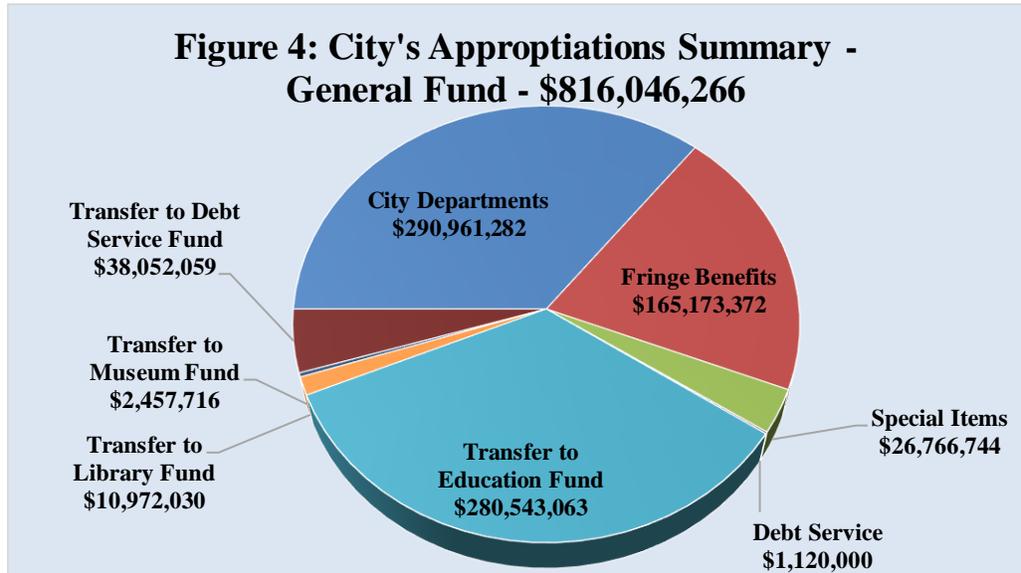
Parking Violations Bureau – The 2021-22 adopted budget includes City parking violations bureau revenues of \$19 million. We project the City will receive approximately \$17.2 million in the 2021-22 fiscal year based on 2020-21 projections with no change. The City could potentially face a shortfall of \$1.8 million if revenue estimates are not realized back to pre-pandemic levels.



Parks – The 2021-22 adopted budget includes parks revenue of \$2.7 million, which is a 232.1 percent increase over the \$1.2 million we project the City will receive in the 2020-21 fiscal year. We based our projection for 2021-22 of \$1.4 million on revenue projections for 2020-21 and 2019-20 actuals. The City could potentially face a shortfall of \$1.3 million 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.



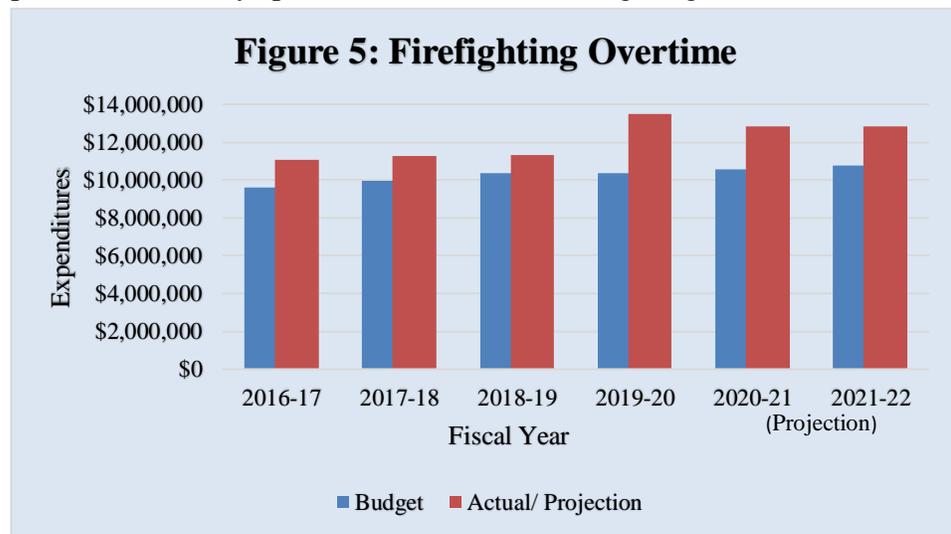
Tax Certiorari

– The adopted 2021-22 budget includes \$500,000 for payment of tax

certiorari claims, which is low compared to the \$4.8 million in tax certiorari payments the City made so far in 2020-21. 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 2021-22 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.

Firefighting Overtime – The City’s 2021-22 adopted budget includes overtime funding of \$10.8 million for the fire department. The City spent \$13.5 million on firefighting overtime in 2019-20 and approximately \$10.6 million in 2020-21 (as of April 30, 2021).

Based on our projections, the City will spend approximately \$12.8 million on firefighting overtime in the 2020-21 fiscal year. Based on historical trends, we project the City

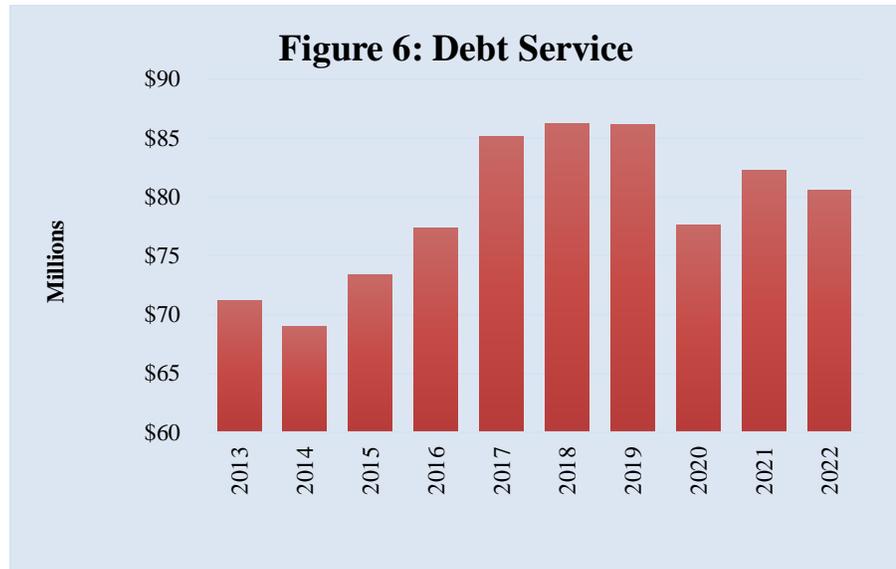


will spend the same as 2020-21 projections, which means the appropriation for overtime is likely underestimated by as much as \$2 million (Figure 5).

Debt Service

The City's outstanding debt has grown 9.4 percent over the last 10 years. Since 2013, the City's annual debt service obligations have risen 13.2 percent (Figure 6). The City will need \$80.6 million to service its debt obligations during 2021-22. This amount represents about 6.4 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.



American Rescue Plan Act

The Federal American Rescue Plan Act (Act) of 2021 will provide substantial aid to local governments in the upcoming fiscal year. Currently, the timing of the receipt of funds from the Act is uncertain. The funds may only be used for the purposes set forth in the Act. City officials should be mindful of these purposes as they budget and plan for the use of these funds. Furthermore, because this is not a recurring revenue, it should not be used to fund recurring expenditures.

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 2021-22 budget includes a tax levy of \$390,725,376. 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. Lisa Reynolds, 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. Liz Krueger, Chair, Senate Finance Committee
Hon. Helene E. Weinstein, Chair, Assembly Ways and Means Committee
Hon. Shelley Mayer, NYS Senate
Hon. Andrea Stewart-Cousins, Majority Leader, NYS Senate
Hon. Crystal Peoples-Stokes, Majority Leader, NYS Assembly
Hon. William Barclay, Minority Leader, NYS Assembly
Hon. Carl E. Heastie, Speaker of the House, NYS Assembly
Robert F. Mujica Jr., Director, NYS Division of Budget
Lisa Reynolds, Chief Examiner, Newburgh Regional Office