



**THOMAS P. DINAPOLI**  
COMPTROLLER

STATE OF NEW YORK  
**OFFICE OF THE STATE COMPTROLLER**  
110 STATE STREET  
ALBANY, NEW YORK 12236

**ELLIOTT AUERBACH**  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY  
Tel: (518) 474-4037 Fax: (518) 486-6479

May 16, 2022

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

Report Number: B22-6-5

Dear Mayor Spano and City Council Members,

Chapter 55 of the Laws of 2014 authorizes the City of Yonkers (City), subject to certain requirements, to issue serial bonds not to exceed \$45 million to liquidate deficits in the City School District's (District) general fund as of June 30, 2014. Additionally, Chapter 55 requires the City to submit to the State Comptroller and the Commissioner of Education, starting with the fiscal year during which it was authorized to issue obligations and for each subsequent fiscal year during which the deficit obligations are outstanding, its proposed budget for the next succeeding fiscal year.

The proposed budget must be submitted no later than 30 days before the date scheduled for the City Council's vote on the adoption of the final budget or the last date on which the budget may be finally adopted, whichever is earlier. The State Comptroller and the Commissioner of Education must then examine the proposed budget and make recommendations as deemed appropriate after examining the City's estimates of revenues and expenditures.

The City Council, no later than five days prior to the adoption of the budget, must review all recommendations made by the State Comptroller and the Commissioner of Education and make adjustments to its proposed budget consistent with the recommendations made by the State Comptroller and the Commissioner of Education. The State Comptroller's recommendations on the City's proposed budget for the 2022-23 fiscal year are contained in this report.

Our Office has recently completed a review of the City's proposed budget for the 2022-23 fiscal year. The objective of the review was to provide an independent evaluation of the proposed budget. Our review addressed the following question related to the City's proposed budget for the upcoming fiscal year:

- Are the significant revenue and expenditure projections in the City's proposed budget reasonable?

Based on the results of our review, we found that significant revenue and expenditure projections in the proposed budget are unreasonable. In addition, officials’ continued practice of using debt to pay for recurring costs is imprudent.

To accomplish our objective, we reviewed the City’s proposed budget, salary schedules, debt payment schedules and other pertinent information. We identified and examined significant estimated revenues and expenditures for reasonableness with emphasis on significant and/or unrealistic increases or decreases. We analyzed, verified and/or corroborated trend data and estimates, where appropriate. We identified significant, new or unusually high revenue or expenditure estimates, made appropriate inquiries and reviewed supporting documentation to determine the nature of the items and to assess whether the estimates were realistic and reasonable. We also evaluated the amount of fund balance appropriated in the proposed budget to be used as a financing source and determined whether the amount of fund balance was available and sufficient for that purpose.

The scope of our review does not constitute an audit under generally accepted government auditing standards (GAGAS). We do not offer comments or make specific recommendations on public policy decisions, such as the type and level of services under consideration to be provided.

The proposed budget package submitted for review for the 2022-23 fiscal year consisted of the following:

- 2022-23 Mayor’s budget letter
- 2022-23 Proposed executive budget
- 2022-23 Board of Education budget request
- Supplementary information

The City’s proposed budget submitted to our Office is summarized in Figure 1.

<b>Figure 1: 2022-23 City of Yonkers’s Proposed 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>Board of Education Fund</b>	\$680,587,799	\$395,610,922	\$0	\$284,976,877	\$0
<b>General Fund</b>	570,062,555	466,624,103 <sup>b</sup>	38,923,051	(337,638,751)	402,154,152
<b>Debt Service Fund</b>	54,876,202	0	375,629 <sup>b</sup>	54,500,573	0
<b>Water Fund</b>	42,370,533	45,119,222	6,048,649	(8,797,338)	0
<b>Library Fund</b>	10,825,609	\$66,986	1,262,514	9,496,109	0
<b>Sewer Fund</b>	8,865,323	9,938,178	1,987,867	(3,060,722)	0
<b>Museum Fund</b>	523,252	0	0	\$523,252	\$0
<b>Total</b>	<b>\$1,368,111,273</b>	<b>\$917,359,411</b>	<b>\$48,597,710</b>	<b>\$0</b>	<b>\$402,154,152</b>

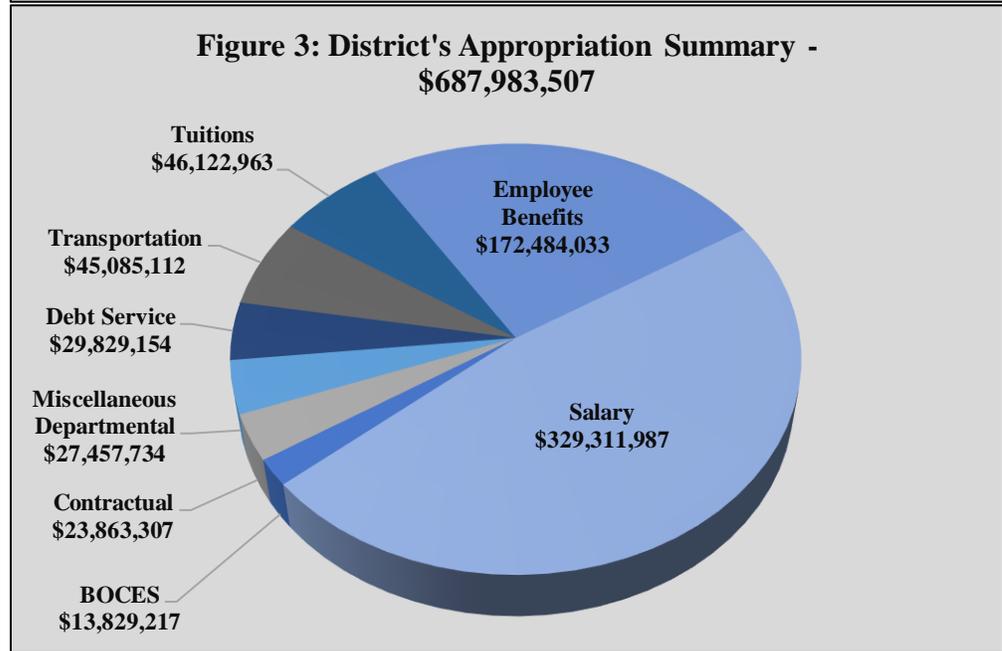
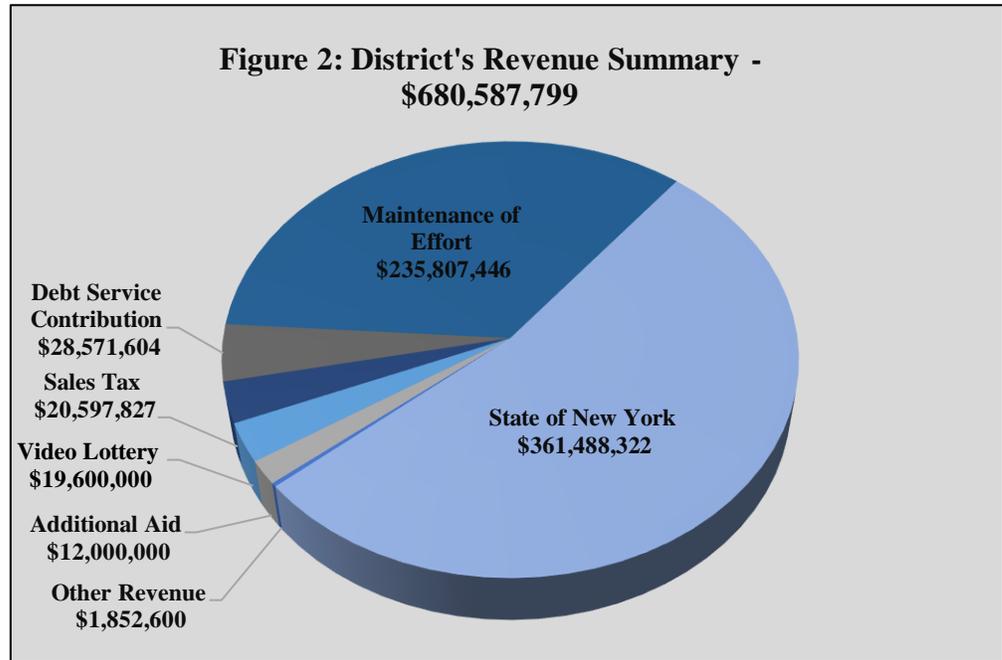
a Includes transfers to and from various funds.  
b Includes appropriated debt service fund balance for the education fund.

Our review disclosed the following issues which City officials should review for appropriate action. As noted above, Chapter 55 of the Laws of 2014 requires the City Council to make adjustments to the proposed budget consistent with our recommendations. We believe that any such adjustments will help improve the City’s financial condition.

**Board of Education**

The proposed budget submitted to our Office for the Board of Education (District) is summarized in Figures 2 and 3.

Budget Gap – The District’s 2022-23 budget request is \$688 million for appropriations. However, the City’s proposed executive budget contains revenues totaling \$680.6 million for the District. As a result, the District’s proposed budget is structurally imbalanced with a budget gap of at least \$7.4 million. City and District officials must resolve this gap between District revenues and appropriations.



Additional Aid – The District’s 2022-23 proposed 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.

Contractual Settlements – The District’s 2022-23 budget does not include any appropriation for contractual settlements. Three of the District’s union collective bargaining agreements (CBAs) expired June 30, 2021, and one of the District’s CBAs expires on June 30, 2022 (Figure 4). The District could face additional expenditures when these contracts are settled. Therefore, the District should be mindful to ensure appropriations are sufficient for these potential liabilities when contract agreements are reached.

<b>Figure 4: CBA Expiration Dates</b>	
<b>Bargaining Unit</b>	<b>CBA Expiration Date</b>
Civil Service Employees Association Yonkers Non-Teaching Unit 9169, Local 1000, American Federation of State, County and Municipal Employees, Westchester Local 860	June 30, 2022
Teamster Local 456	June 30, 2021
Yonkers Council of Administrators	June 30, 2021
Yonkers Federation of Teachers	June 30, 2021

Charter School Tuition – The District’s 2022-23 proposed budget includes an appropriation of approximately \$16.1 million for charter school tuition, which includes a projected increase in enrollment of 60 students. However, enrollment for 2022-23 could increase by approximately 85 students based on prior year trends. Therefore, the District’s budgeted amount for charter school tuition payments may be underestimated by approximately \$1.6 million.

**City of Yonkers**

**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 proposed budget, which uses nonrecurring funding of \$124.4 million to finance operating expenditures. This nonrecurring funding includes appropriated fund balance, one-time State funding, one-time Federal funding and the sale of property.

Fund Balance<sup>1</sup> – The City is projecting unassigned general fund balance of \$150.7 million as of the end of the 2021-22 fiscal year. The City appropriated \$38.9 million, or approximately 26 percent of the

<b>Figure 5: 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>Board of Education Fund</b>	\$0	\$48,911,675	0.0%	\$44,542,079	0.0%
<b>General Fund</b>	\$38,923,051	\$150,673,386	25.8%	\$69,340,160	56.1%
<b>Debt Service Fund<sup>a</sup></b>	\$375,629	\$502,881	74.7%	\$375,629	100.0%
<b>Water Fund</b>	\$6,048,649	\$11,738,700	51.5%	\$9,523,221	63.5%
<b>Library Fund</b>	\$1,262,514	\$1,704,992	74.0%	\$1,262,514	100.0%
<b>Sewer Fund</b>	\$1,987,867	\$2,572,711	77.3%	\$2,549,900	78.0%

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

projected fund balance, in the 2022-23 proposed budget. In addition to appropriating fund balance in the general fund, the City appropriated \$6 million of water fund balance, \$2 million of sewer fund balance, \$1.3 million of library fund balance and \$375,629 of debt service fund balance (Figure 5).

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. City officials may have to replace this nonrecurring revenue in future budgets.

Federal Aid – American Rescue Plan Act (ARPA) – The City’s 2022-23 proposed budget also 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.

Overall, the City is relying on \$124.4 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 may occur in the 2023-24 fiscal year that the City must address by finding alternative sources of revenue or reducing appropriations.

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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 2022-23 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 2020-21 fiscal year.

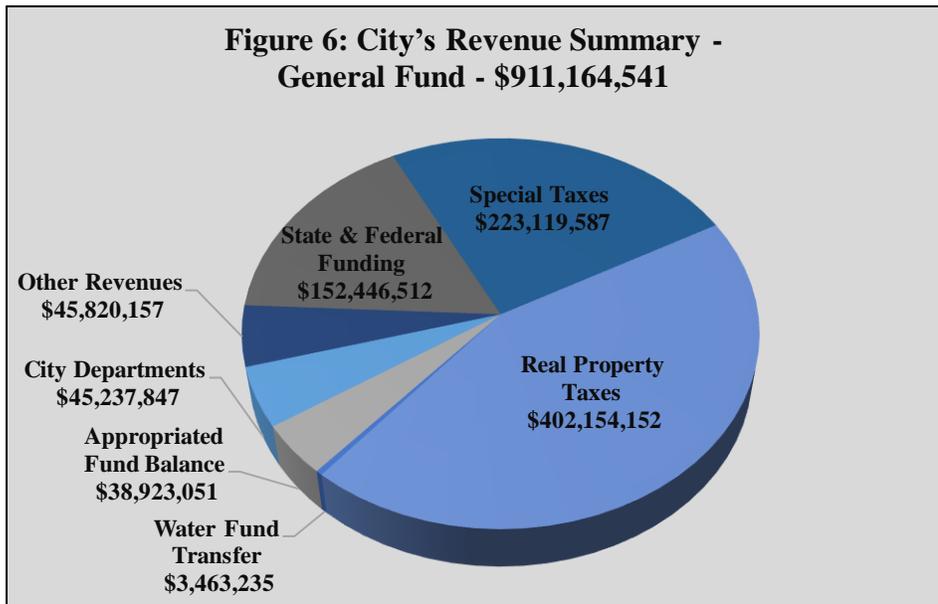
## Revenues<sup>2</sup>

The proposed budget submitted to our Office for the City's general fund revenues is summarized in Figure 6.

### Income Tax

Surcharge – The 2022-23 proposed budget includes City income tax surcharge revenues of \$68 million, which is an increase of approximately \$7.7

million (11 percent) from the actual revenue received in the 2020-21 fiscal year. For 2022-23, we project income tax surcharge revenue of \$65.1 million. We based our projection on a 5 percent decrease from 2021-22 revenue, because declines are forecasted in the New York State Executive Financial Plan. The City could face a shortfall in revenue of approximately \$2.9 million if revenue estimates are not realized. City officials should reassess whether this increase is achievable and, if not, lower the income tax surcharge revenue estimate.



Metered Water Sales – The 2022-23 proposed budget includes metered water sales revenue of \$40.2 million, which is an increase of approximately \$4.5 million from the amount billed in the 2020-21 fiscal year. The City plans to increase rates for metered water sales by 6.9 percent. We project that the City will receive approximately \$37.6 million in the 2021-22 fiscal year. If rates are increased by 6.9 percent, we project revenues of \$40.2 million for 2022-23. This amount appears reasonable but requires the City Council to either raise water rates before adopting the budget or lower the estimates for metered water sales revenue.

Sewer Rents – The 2022-23 proposed budget includes sewer rents revenue of \$9.7 million, which is an increase of approximately \$1.4 million from the amount billed in the 2020-21 fiscal year. The City plans to increase rates for sewer rents by 11.4 percent. We project that the City will receive approximately \$8.7 million in the 2021-22 fiscal year. If rates are increased by 11.4 percent, we project revenues of \$9.7 million for 2022-23. This amount appears reasonable but requires the City

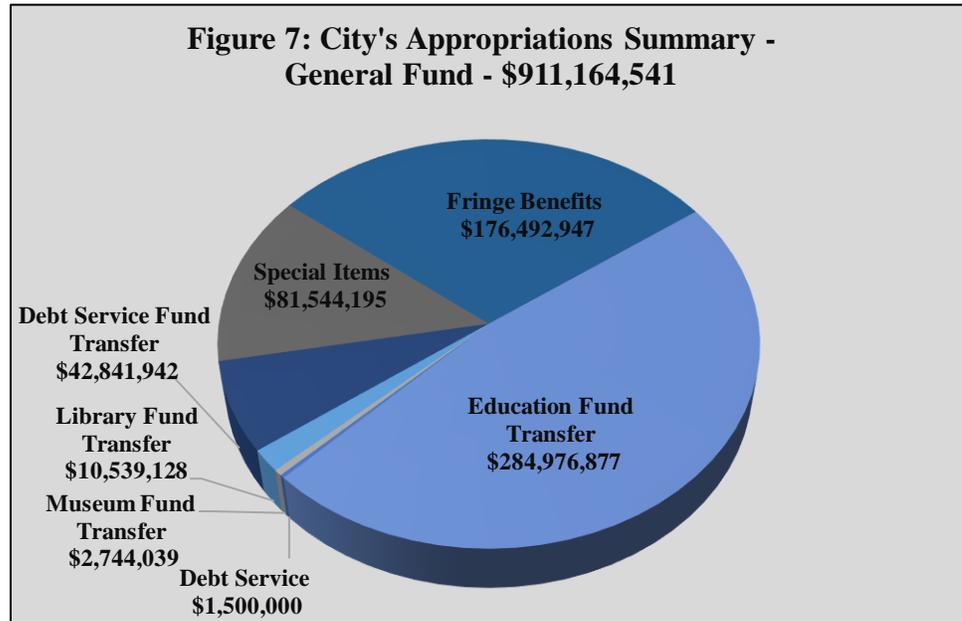
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<sup>2</sup> If any of the revenues discussed in this section are included in the City's adopted budget in an amount which exceeds the amount of such revenue either realized in 2020-21 or "properly attributable" to 2021-22, then the City must submit a "justification document" with respect to the excess before the adopted budget may be approved under the Fiscal Agent Act and bond covenants. If the amount of any such revenue included in the City's adopted budget requires an increase in a rate or charge, the City must act to increase the rate or charge before the justification document can be approved under the Fiscal Agent Act and bond covenants. Similarly, if the amount of any such revenue included in the City's adopted budget requires enactment of State legislation, the legislation must be enacted before the justification document can be approved.

Council to either raise sewer rates before adopting the budget or lower the estimates for sewer rents.

**Appropriations**

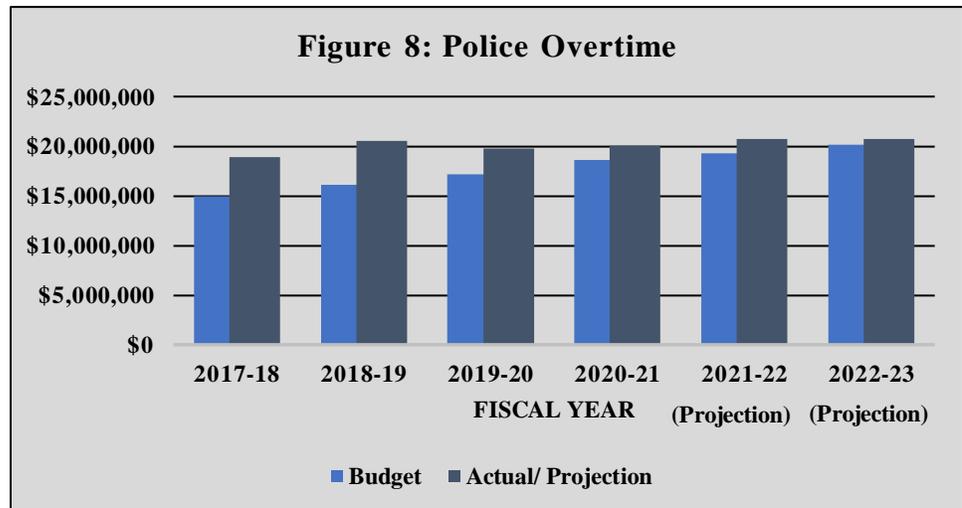
The proposed budget submitted to our Office for the City’s general fund appropriations is summarized in Figure 7.



Tax Certiorari – The 2022-23 proposed budget includes \$500,000 for payment of tax certiorari claims, which is low compared to the \$4.4

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

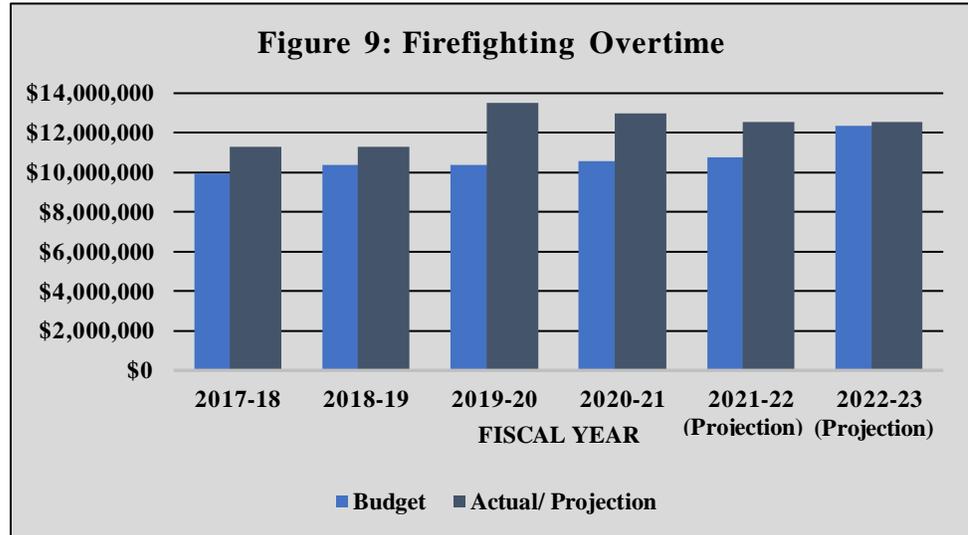
Police Overtime – The City’s 2022-23 proposed budget includes overtime funding of \$20.1 million for the police department. The City spent \$20 million on police overtime in 2020-21 and approximately \$16.1 million in 2021-22 (as of April 30, 2022). Based on our



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 8).

Firefighting Overtime – The City’s 2022-23 proposed 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 \$9.3 million in 2021-22



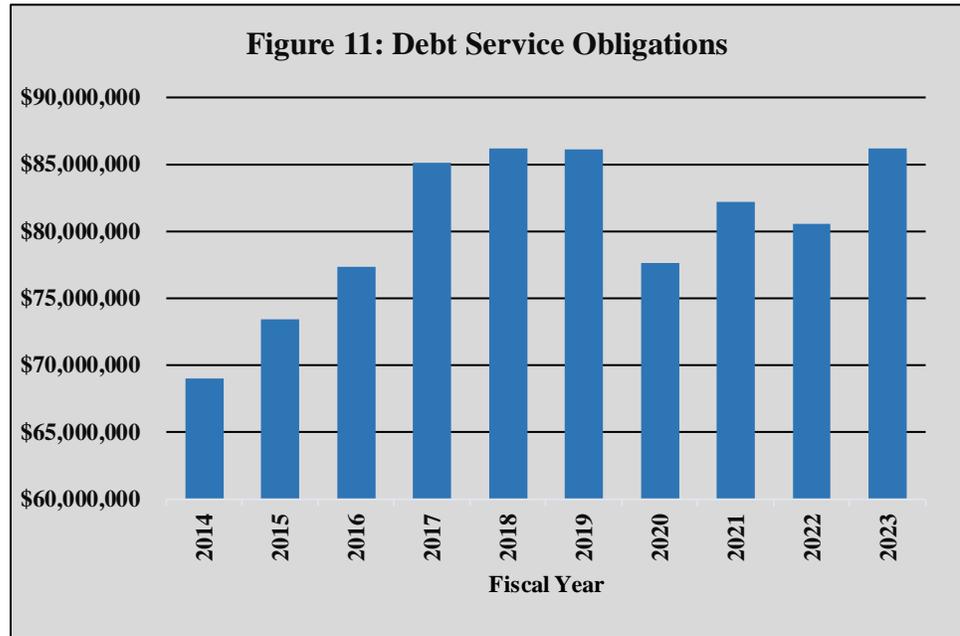
(as of March 31, 2022). Based on our projections, the City will spend approximately \$12.5 million on firefighting overtime in the 2021-22 fiscal year. Based on historical trends, we project the City will spend the same amount on firefighting overtime as our 2021-22 projections, which means the appropriation for overtime is likely underestimated by as much as \$158,000 (Figure 9).

Contractual Settlements – The City’s 2022-23 budget includes payments for contractual settlements of \$33.7 million. Seven of the City’s eight CBAs have expired (Figure 10). The City could face additional expenditures when these contracts are settled. Therefore, the City Council should be mindful to ensure appropriations are sufficient for these potential liabilities when contract agreements are reached.

Bargaining Unit	CBA Expiration Date
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

The City's outstanding debt has grown by 15.5 percent over the last 10 years. Since 2014, the City's annual debt service obligations have risen by \$17.2 million (24.9 percent) (Figure 11). The City will need \$86.2 million to service its debt obligations during 2022-23. This amount represents about 6.3 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 proposed 2022-23 budget includes a tax levy of \$402,154,152, which is equal to the tax levy limit. In adopting the 2022-23 budget, the City Council should be mindful of the legal requirement to adopt a budget that includes a tax levy no greater than the tax levy limit, unless it adopts a local law to override the limit.

## **Recommendations**

The City Council must:

1. Work with District officials to create a structurally balanced budget and eliminate the \$7.4 million gap in the District's budget request.
2. Pass a resolution to raise water rates before adopting the budget or lower the estimate for metered water sales.
3. Pass a resolution to raise sewer rents before adopting the budget or lower the estimate for sewer rents.

City officials should:

4. Work with District officials to develop a plan to fund operations and discontinue the practice of relying on one-time revenues to finance recurring expenditures.
5. Work with District officials to consider adding an appropriation for the potential exposure related to contractual settlements.
6. Work with District officials to review the estimate for charter school tuition payments and amend it as necessary.
7. Develop a plan to maintain fund balance at a reasonable level to ensure funds are available in case of unanticipated expenditures or a shortfall in revenues during the fiscal year.
8. Develop a plan to fund operations and discontinue the practice of relying on one-time revenues to finance recurring expenditures.
9. Review the estimate for income tax surcharge and amend as necessary.
10. Consider adjusting the appropriation for tax certiorari payments and provide a financing source for tax certiorari settlements.
11. Review the estimates for police and firefighting overtime and amend as necessary.
12. Review the estimate for contractual settlements and amend as necessary.
13. Review outstanding debt and alternatives to borrowing, in particular for operating expenditures such as tax certiorari payments, to reduce the continuous increase in outstanding debt over the last 10 years.

The City Council has the responsibility to initiate corrective action. Pursuant to Chapter 55 of the Laws of 2014, the City Council must review the recommendations in this report and adjust the proposed budget consistent with the recommendations contained in this report.

We request that you provide us with a copy of the adopted budget.

We hope this information is helpful as you adopt the upcoming budget. If you have any questions on the scope of our work, please contact 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  
Dr. Edwin Quezada, Superintendent of Schools  
Rev Steve Lopez, President, Board of Education  
Dr. Rosalba Corrado Del Vecchio, Vice President, Board of Education  
Amjed Kuri, Trustee, Board of Education  
Rosemarie P Linton, Trustee, Board of Education  
Kevin Cacace, Trustee, Board of Education  
Dr. John Castanaro, Trustee, Board of Education  
Shiela Greenwald, Trustee, Board of Education  
Gail Burns, Trustee, Board of Education  
Lawrence Sykes, Trustee, Board of Education  
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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. Liz Krueger, Chair, Senate Finance Committee  
Hon. Shelley Mayer, Chair, Senate Committee on Education  
Dr. Betty Rosa, Commissioner, NYS Education Department  
Dr. Harold Coles, Superintendent Southern Westchester BOCES  
Robert F. Mujica Jr., Director, NYS Division of Budget  
Dara Disko-McCagg, Chief Examiner, Newburgh Regional Office