



THOMAS P. DiNAPOLI
STATE COMPTROLLER

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

DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

July 7, 2023

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

Report Number: B23-6-6

Dear Mayor Spano and City Council Members,

By letter dated June 30, 2023, 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 2023-24 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 2023-24 adopted budget materially complies with the provisions of the Act and related bond covenants, we wish to comment on the following matters which impact the City's financial condition in the current and future years.

The City's 2023-24 budget totals \$1.43 billion, which includes operating and debt service funding of \$733.8 million for the Yonkers Public Schools (District) and \$698.2 million for the City (Figure 1). The 2023-24 budget is \$52.1 million more than the City's budget for 2022-23, an increase of 3.8 percent.

Figure 1: 2023-24 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	\$733,792,576	\$410,374,750	\$32,261,215	\$291,156,611	\$0
General Fund	571,351,397	420,306,974	88,864,742	(352,817,725)	414,997,406
Debt Service Fund	65,390,098	0	2,111,732 ^b	63,278,366	0
Water Fund	41,538,400	46,241,158	4,865,924	(9,568,682)	0
Library Fund	11,124,825	60,886	54,503	11,009,436	0
Sewer Fund	8,495,222	10,997,375	872,103	(3,374,256)	0
Museum Fund	316,250	0	0	316,250	0
Total	\$1,432,008,768	\$887,981,143	\$129,030,219	\$0	\$414,997,406

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 ongoing practice of balancing its budget by financing recurring operating expenditures with nonrecurring funding sources. However, officials continue using this practice as shown in their 2023-24 adopted budget, which uses nonrecurring funding of \$141.5 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 Balance¹ – The City is projecting unassigned general fund balance of \$159.6 million at the end of the 2022-23 fiscal year. The City appropriated \$88.9 million , or approximately 56 percent of the projected fund balance, in the 2023-24 adopted budget. In addition to appropriating fund balance in the general fund, the City has appropriated \$32.3 million of education fund balance, \$4.9 million of water fund balance, \$2.1 million of debt service fund balance, \$872,103 of sewer fund balance and \$54,503 of library fund balance (Figure 2).

Figure 2: Fund Balance					
Fund	Fund Balance Appropriated	Projected Fund Balance Available	Percent Used	Fund Balance Available Per Act	Percent Used
Board of Education Fund	\$32,261,215	\$66,095,289	48.8%	\$40,737,571	79.2%
General Fund	\$88,864,742	\$159,567,751	55.7%	\$98,670,463	90.1%
Debt Service Fund^a	\$2,111,732 ^a	\$2,128,904	99.2%	\$2,261,066	93.4%
Water Fund	\$4,865,294	\$11,186,243	43.5%	\$6,494,513	74.9%
Library Fund	\$54,503	\$306,582	17.8%	\$54,503	100.0%
Sewer Fund	\$872,103	\$1,748,805	49.9%	\$883,176	98.7%

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

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 2023-24 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 2021-22 fiscal year.

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 with minimal funds for unexpected costs or contingencies that may occur. City officials may have to replace this nonrecurring revenue in future budgets.

Additional Aid – The District’s 2023-24 adopted budget relies on additional State aid of \$12 million for District services and expenses. Although the aid may provide relief in the 2023-24 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.

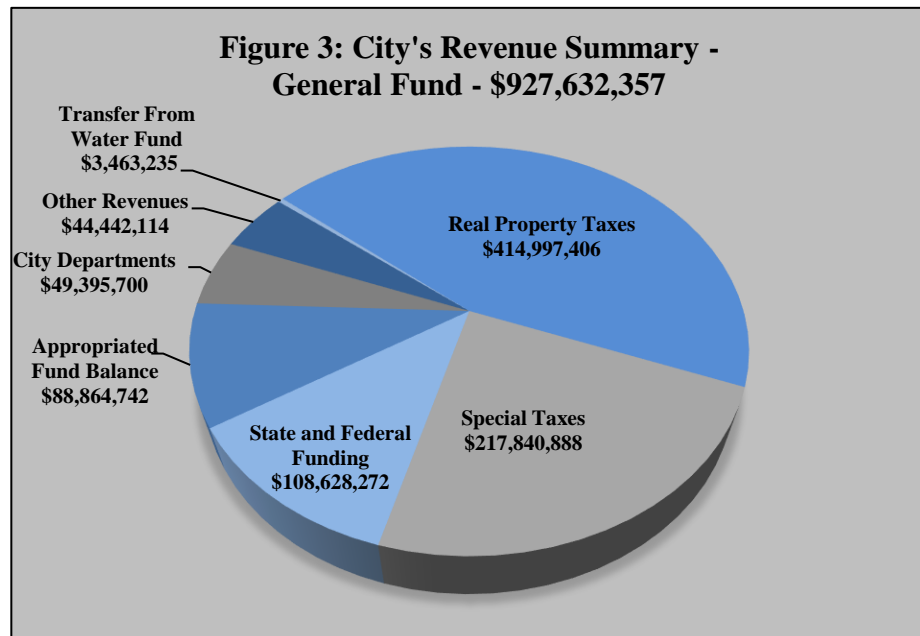
Overall, the City is relying on \$141.5 million of nonrecurring revenue – such as appropriated fund balance, one-time State funding, and sale of property – to finance its 2023-24 operations. Although this funding provides relief in the 2023-24 budget, it may not be available in future years. Therefore, a potentially significant funding gap may occur in the 2024-25 fiscal year that the City must address by finding an alternate source of revenue or by reducing appropriations.

Revenues

The 2023-24 adopted budget submitted to our office for the City’s general fund revenues is summarized in Figure 3:

Income Tax Surcharge – The 2023-24 adopted budget includes City income tax surcharge revenues of \$64.8 million. This is a \$3.9 million increase over the \$60.9 million we project the City will receive in

revenue for the 2023-24 fiscal year. We based our projection on a 3.9 percent decrease from 2022-23 projected revenue, as declines are forecasted in the New York State Executive Financial Plan. The City could face a shortfall in revenue of approximately \$3.9 million if revenue estimates are not realized.



Sales and Use Tax and Sales and Use Tax – Education – The 2023-24 adopted budget includes City sales and use tax including education revenues of \$122.4 million. This is a \$690,000 increase over the \$121.8 million we project the City will receive in the 2023-24 fiscal year. We based our projection on 2022-23 revenue projections and 2021-22 actuals. The City could face a shortfall in revenue of approximately \$690,000 if revenue estimates are not realized.

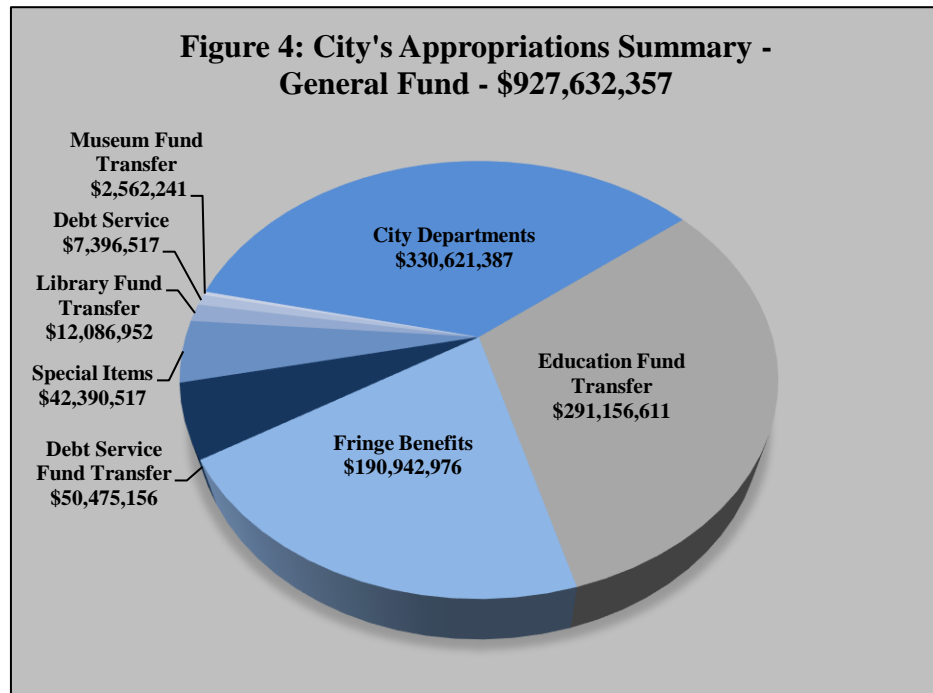
City and State Mortgage Tax – The 2023-24 adopted budget includes city and state mortgage tax revenues of \$7.8 million. Our revenue projection of \$6.7 million for 2023-24 uses revenue for 2022-23 with a projection of 30 percent decline based on the declining housing market rate forecast in the 2024 New York State enacted budget. The City could potentially face a shortfall of \$1.1 million if revenue estimates are not realized.

Appropriations

The 2023-24 adopted budget submitted to our office for the City’s general fund appropriations is summarized in Figure 4:

Tax Certiorari – The 2023-24 adopted budget includes \$500,000 for payment of tax certiorari claims, which is low compared to the \$1.9 million in tax certiorari payments the City made so far in 2022-23. The

City bonded to pay tax certiorari claims in prior years and proposed legislation to bond up to \$15 million for 2023-24 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.

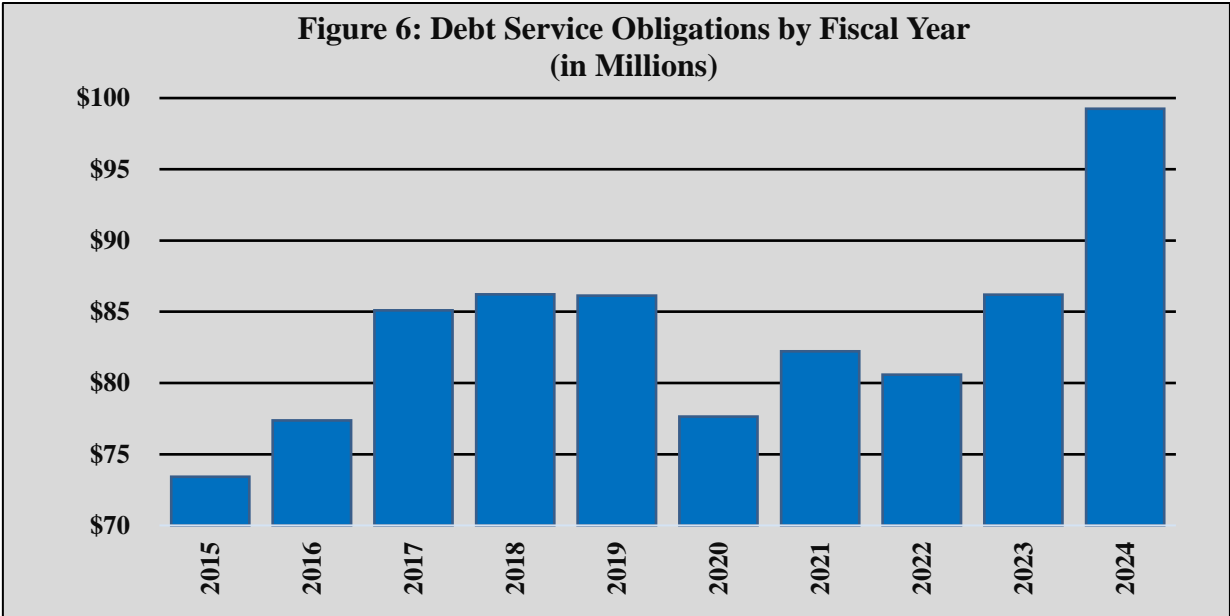
Contractual Settlements – The City’s 2023-24 adopted budget includes payments for contractual settlements of \$9.2 million. Five of the City’s eight collective bargaining agreements (CBAs) have expired or will expire soon (Figure 5). The City could face additional expenditures when these contracts are settled. Therefore, the City Council should be mindful to ensure appropriations are sufficient for these potential liabilities when contract agreements are reached.

Figure 5: CBA Expiration Dates	
Bargaining Unit	CBA Expiration Date
American Federation of State, County and Municipal Employees Local 1897, Council 66	June 30, 2020
Service Employees International Union Local 704	December 31, 2023
Service Employees International Union Local 704B	June 30, 2019
Teamster Local 456	December 31, 2023
Teamster Managers Local 456	June 30, 2020
Yonkers Uniformed Fire Officers Association	June 30, 2019

Contingency – Contingency accounts are used by local governments as a means of providing funding for unexpected events. The City’s 2023-24 adopted budget includes \$5.9 million general fund contingent reserve; this amount is less than one percent of the City’s general fund budgeted appropriations. However, given the potential increased current year wages from unsettled contracts and potential cost overruns from current economic conditions, this may exhaust the current amount budgeted; leaving a limited flexibility to cover any other unforeseen or unexpected costs. 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 Service

The City’s outstanding debt has grown 35 percent over the last 10 years. Since 2015, the City’s annual debt service obligations have risen by \$25.8 million (35.2 percent) (Figure 6). The City will need \$99.2 million² to service its debt obligations during 2023-24. This amount represents about 6.9 percent of the City’s annual budget.



² Excluding appropriations under GASB 87 and 96 that were added to the debt service fund starting 2023-24 totaling \$9.2 million.

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.

If you have any questions on the scope of our work, please contact Dara Disko-McCagg, Chief of Municipal Audits for our Newburgh Office, at (845) 567-0858.

Sincerely,

Andrea C. Miller
Executive 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, President Pro Tempore and Majority Leader, NYS Senate
Hon. Robert Ortt, Minority Leader, NYS Senate
Hon. Liz Krueger, Chair, Senate Finance Committee
Hon. Shelley Mayer, Chair, Senate Committee on Education
Robert Megna, Director, NYS Division of Budget
Dara Disko-McCagg, Chief of Municipal Audits, Newburgh Regional Office