



## 2013 FISCAL PROFILE

# CITY OF YONKERS

### Overview

The City of Yonkers is the fourth largest city in the State, with a 2010 population of 195,976. Yonkers is located just north of the New York City borough of the Bronx, and is the largest city in Westchester County.

By several measures, Yonkers is better off than many other cities in the State. The City's population enjoys a higher median household income (\$55,715 compared to \$37,607 for the median city), fewer families live in poverty (11.1 percent compared to 13.7 percent for the median city), and median home values are significantly higher (\$428,900 compared to \$96,000 for the median city) than for cities generally. Yonkers also receives more State revenue sharing aid per capita than the median city (\$552 compared to \$147), although total State aid for the City declined by 5.1 percent between 2010 and 2011.

Despite these advantages, the City has been challenged by significant structural budget gaps. One factor that has contributed to these budget gaps is a dependent school district for which the City must raise taxes and issue debt. An additional component that has recently impacted City finances is a decline in property values driven by a general downturn in the housing market. By the end of its 2011 fiscal year, the City had essentially depleted its general fund reserves.

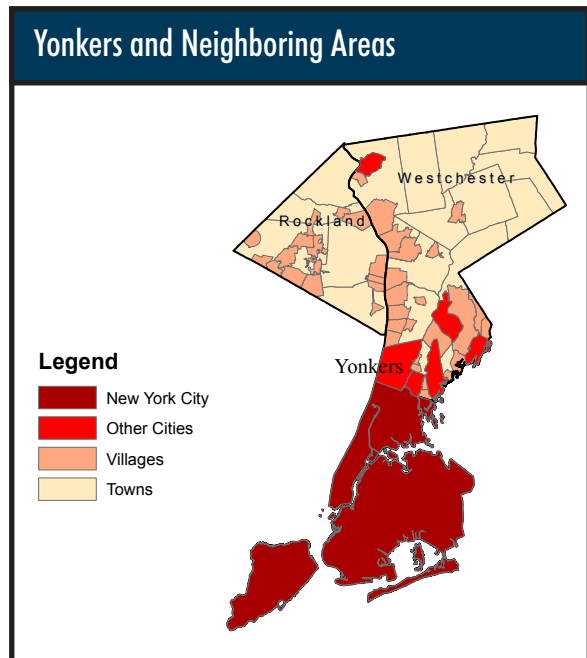
Over the past several years, the City has struggled with a number of troubling issues that threaten its fiscal stability. In addition, the Fiscal Agent Act requires that the Office of the State Comptroller (OSC) conduct regular budget reviews. Recent reviews have found that the City has made use of non-recurring revenues to balance budgets. Recently, the City has begun making tough choices needed to bring the budget into structural balance.

- Recent events have put significant downward pressure on the City's revenues.
- Property values declined 24 percent from 2008 to 2011, which negatively affected property tax revenues.
- The City relies on State aid more than other cities. State aid declined by 5.1 percent from 2010 to 2011.
- The City has faced large budget gaps over the last several years, and relied on non-recurring revenues to help close them. As a result, its fund balance has declined by 69 percent, from \$47.1 million in 2006 to \$14.5 million in 2011.
- Expenditures grew by 47.4 percent, or at an average annual rate of 4.0 percent, from 2001 to 2011.
- Enrollment for the dependent Yonkers School District increased by nearly 6 percent, adding pressure on the City budget.

## Population and Economic Factors

While Yonkers gained population rapidly through 1960, the City's population has been relatively stable since, gaining only 2.8 percent through 2010. During the same period Westchester County's population grew by 17.3 percent.

The City is home to large numbers of immigrants and second-generation Americans, which may present service delivery challenges. For instance, 13 percent of the students in the Yonkers city schools have limited English proficiency, compared to the statewide rate of 8 percent. On the other hand, only about 11.1 percent of the City's families are living in poverty, lower than the median city rate of 13.7 percent. The City had an unemployment rate of 8.3 percent in November 2012, slightly higher than the statewide rate of 7.9 percent.<sup>1</sup>



## Tax Base

Full assessed property value in Yonkers increased at an average annual rate of 7.1 percent from 2001 to 2011. Although Yonkers benefited from a 161 percent increase in property values from 2001 to 2008, values declined by 24 percent from 2008 to 2011. The City has exhausted 68.2 percent of its constitutional tax limit (CTL), less than the other "Big Four" cities (i.e., cities that have dependent school districts – not including New York City, namely Buffalo, Rochester, Syracuse and Yonkers). Yonkers' high property values helped to lower the amount of the CTL exhausted.

While property values are relatively high in Yonkers, the home ownership rate of 46.1 percent is lower than that of the median city (49.5 percent). Tax exempt properties are also more numerous, 36.7 percent, than in the State as a whole – 32.0 percent. The City is beginning an inventory of properties that are vacant, and in most cases delinquent in taxes. It is currently estimated that there are at least 400 vacant buildings, though vacancy rates are lower than the statewide average, 7.3 percent versus 9.2 percent.

Housing Statistics		
	Yonkers	Median City
Home Ownership	46.1%	49.5%
Median Home Value	\$428,900	\$96,000
Vacant Units	7.3%	9.2%
Exempt from Tax	36.7%	32.0%

Percentage of Constitutional Tax Limit Exhausted as of 2012	
Buffalo	71.2%
Rochester	74.9%
Syracuse	68.6%
Yonkers	68.2%

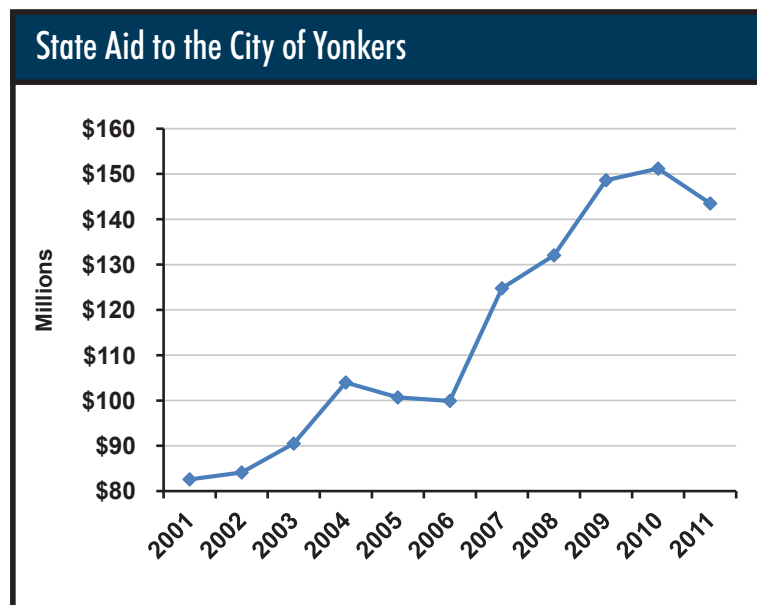
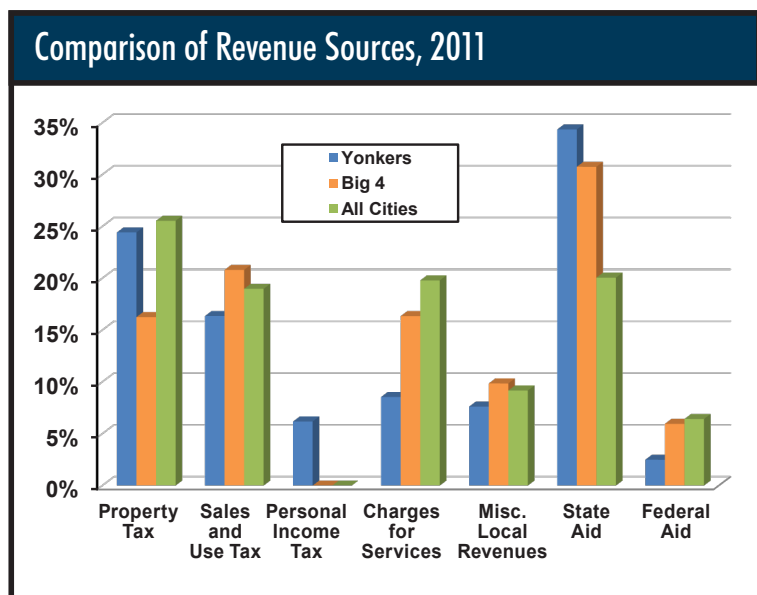
<sup>1</sup> Throughout this report, references to all cities or median city exclude New York City.

The City has been promoting economic development initiatives which it believes should have a positive impact on City and school district finances. These include the addition of slot machines at the Yonkers Raceway and Empire City Casino, Ridge Hill – a mixed-use residential and retail development, and the redevelopment of the City’s waterfront.

## Revenues and Expenditures

The City’s revenues grew 51.4 percent, an average annual rate of 4.2 percent, from 2001 to 2011, compared to 39.2 percent, an average growth rate of 3.4 percent, for all cities in the State.<sup>2</sup>

The largest source of revenue for the City in 2011 was State aid, which accounted for 34 percent of all City revenues, compared to 31 percent for the Big Four cities and 20 percent for all cities. As with the other Big Four cities, Yonkers’ high level of State Aid compared to all cities in the State is driven partly by its dependent school district. State aid grew at an average annual rate of 6.9 percent from 2001 to 2010 but declined by 5.1 percent from 2010 to 2011. The majority of State aid for cities is in Aid and Incentives for Municipalities, or revenue-sharing payments. Yonkers received \$552 per capita in State revenue-sharing aid. The median city received \$147 per capita. Like all cities, Yonkers’ has little control over State aid, making it vulnerable to fluctuations that reflect the changing needs and priorities of the State government.

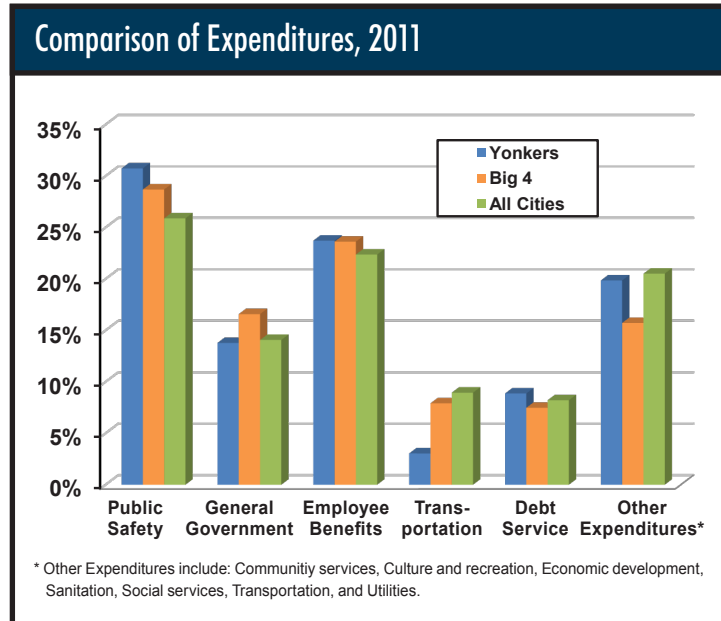


<sup>2</sup> Preliminary 2012 financial data is available for Yonkers. However, for comparative purposes this report will use data from 2001 to 2011

Property taxes make up 24 percent of total City revenues, compared to 16 percent for Big Four cities and 26 percent for all cities. Sales taxes account for 16 percent of total revenues, compared to 21 percent for Big Four cities and 19 percent for all cities. Yonkers has its own sales tax, pre-empting part of the county sales tax, at a local rate of 4 percent. Yonkers also receives about 7 percent of its revenues from a city income tax, a revenue source that only Yonkers and New York City have among the State's cities, and which has fluctuated significantly in recent years.

The City's dependent school district also relies on State aid and property taxes for the majority of its revenues. The school district's State aid was increased after the settlement of a desegregation suit in 2002, and comprised 46 percent of district revenues in 2011. The district receives \$218 million in property tax revenue from the City, which generally cannot be reduced due to a State-mandated maintenance of effort requirement.<sup>3</sup>

Expenditures in Yonkers increased by 47.4 percent, an average annual rate of 4.0 percent from 2001 to 2011, more rapidly than the 34.2 percent growth for cities generally, an average annual rate of 3.4 percent. Like most cities, Yonkers spends a large amount on public safety (police and fire protection, etc.), 31 percent of expenditures, compared to 29 percent in Big Four cities and 26 percent in all cities. Employee benefits (health insurance and retirement benefits, etc.), make up 24 percent of expenditures, the same as in the Big Four cities and slightly higher than the 22 percent share in all cities. General government (administration, operations and judgments, etc), accounted for 14 percent of expenditures, less than the 17 percent in the Big Four cities but nearly the same as in all cities. The City's expenditures for debt service – 8.9 percent – are above the median city average of 8.2 percent, and increased at an average annual rate of 8.7 percent from 2001 to 2011. Part of this debt burden is the result of borrowing to pay high tax certiorari claims. Employee benefits increased at a rapid rate of 9.1 percent, which is about the same as the increase for cities statewide.



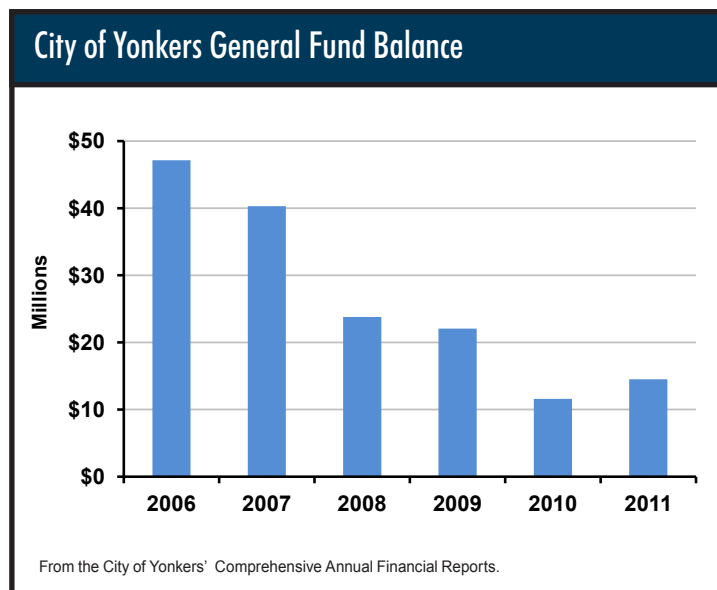
<sup>3</sup> Education Law, section 2576 (5-b).

## Current and Projected Budget Situation

The City's budget for the 2013 fiscal year increases appropriations for City purposes by 2.5 percent from the prior year, while school district appropriations increase by 3.1 percent. The property tax levy (City and school district combined) increased by 3.9 percent. The City received a "spin-up" (an acceleration of State aid from future years) of \$11.9 million for fiscal year 2013.

The City's general fund balance declined by 75 percent over four years, from \$47.1 million in 2006 to \$11.6 million in 2010. While the City's general fund balance increased slightly to \$14.5 million in 2011, the City still lacks adequate and stable reserves going forward.

A new City administration came into office at the beginning of 2012. At that time, officials ordered a hiring freeze and began to merge some City departments. However, the City still projects that under current policies, large budget gaps will appear over the next few years, from \$86 million in 2014, up to \$187 million in 2016 for the City and school district combined.



Enrollment for the dependent Yonkers school district increased by almost 6 percent from fiscal year 2009 to fiscal year 2012, while overall state public school enrollment declined by 0.8 percent. This enrollment increase has added to the pressures on the City's budget. Assuming the budget gap is filled in part by utilizing fund balance, the City could quickly exhaust its balance. The City is considering possible gap closing measures including increases in the City income tax, property tax and real estate transfer tax, as well as increases in the contribution rates of employee health plans and limiting growth in the school district's operating costs. The City is also advocating for the reassessment of all properties in Westchester County in the hope that this will save money by reducing the number of tax certiorari claims.

OSC has an on-going involvement in monitoring the fiscal policies of Yonkers due to the Fiscal Agent Act. OSC must verify that proposed revenues and expenditures are in compliance with the Act, and may compel changes in the budget prior to its adoption. OSC has also conducted audits of the City's financial operations that have examined some budget-related issues in more depth.

## Bond Ratings and Debt

Moody's gave the City's debt a rating of Baa1 with a stable outlook in December 2012, which indicates a moderate credit risk. Moody's analysts were impressed by the new administration's management and by the potential of the planned revaluation of the City's property to limit the number of tax appeals. In addition, they noted a sizable tax base and the positive effects of the Fiscal Agent Act. However, they also remained concerned about large projected budget gaps and limited financial flexibility.

Standard and Poor's gave the City's debt a BBB+ rating with a stable outlook in October 2011, indicating an adequate capacity to meet financial commitments, but subject to adverse economic conditions. Analysts cite such problems as the property tax levy limitation, declining State aid and increasing fixed costs. However, they see the City as benefiting from its participation in the New York City metropolitan area's diverse economy, OSC's oversight under the Fiscal Agent Act and a moderate debt burden.

While the City has high debt service costs, it has only exhausted 18.4 percent of its Constitutional Debt Limit, due in part to its relatively high property values. The City had outstanding debt of \$479 million at the end of 2011. Debt service costs were 9.6 percent, higher than the 8.2 percent average for all cities in the State, and the 7.5 percent average for the Big Four cities.

### Percentage of Constitutional Debt Limit Exhausted as of 2011

<b>Buffalo</b>	57.3%
<b>Rochester</b>	60.8%
<b>Syracuse</b>	52.9%
<b>Yonkers</b>	18.4%

## Yonkers vs. All Cities and New York State

Population 2010: 195,976	City of Yonkers	All Cities (excluding NYC)		New York State
		Median	Aggregate	
<b>Demographic Indicators</b>				
Percent Change in Population 1950-2010	28%	-20%	-25%	31%
Median Household Income, 2010	\$55,715	\$37,607	N/A	\$55,603
Percentage of Families in Poverty 2010	11.1%	13.7%	16.6%	10.8%
Unemployment Rate November 2012	8.3%	N/A	N/A	7.9%
<b>Property Value Indicators</b>				
Median Home Value 2010	\$428,900	\$96,000	N/A	\$303,900
Percent Change in Full Value 2007-2012	-10.7%	11.6%	-1.3%	5.4%
Owner-Occupied Housing Units 2010	46.1%	49.5%	45.4%	53.3%
Property Vacancy Rate 2010	7.3%	9.2%	10.4%	9.7%
Percentage of Property Value That is Tax Exempt 2010	36.7%	32.0%	34.9%	25.6%
<b>Revenue and Tax Indicators</b>				
State Revenue Sharing Aid (AIM) per Capita SFY 2012-13	\$552.19	\$146.80	\$289.50	N/A
Tax Limit Exhausted 2012	68%	44%	N/A	N/A
GF Unreserved Fund Balance as a % of Revenue 2007	12.1%	13.1%	15.7%	N/A
GF Unreserved Fund Balance as a % of Revenue 2011	3.9%	10.1%	13.2%	N/A

Source: U.S. Census Bureau, American Community Survey, 5-year estimates, 2006-2010 and 2010 Census; Department of Taxation and Finance; New York State Labor Department; Office of the State Comptroller.

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