



Mayor Mike Spano

## FISCAL YEAR 2015 EXECUTIVE BUDGET MESSAGE

April 11, 2014

Yonkers City Council  
City Hall, 4<sup>th</sup> Floor  
40 South Broadway  
Yonkers, NY 10701

Honorable Members of the City Council:

I hereby submit to you the Fiscal Year 2015 Executive Budget for the City of Yonkers, prepared in accordance with the Charter of the City of Yonkers and the New York State Special Local Finance and Budget Act for the City of Yonkers.

When I came into office in 2012, the financial stability of the City was weak and led to a bare-bones government compromising the quality of services the City provides, especially education. In fact, the City's cuts were so deep that they were having an adverse effect on revenues. However, over the last two years this Administration has worked with you, the City Council, in taking measures to stabilize the City's financial outlook.

As a result, working together, we passed last year the first on time, unanimous, bi-partisan budget in 25 years that closed an \$86 million budget deficit, which put an end to drastic cuts to services, made historic investments in education, and set the stage for a renewed fiscal discipline for the City. Our hard work over the last two years has resulted in an upgrade in Yonkers' bond rating to A+ by Standard & Poor's – which is the highest rating this City has had in more than 30 years. This upgrade has laid the foundation for putting Yonkers back on the road of fiscal stability.

However, as we know, our progress was compromised this year when we learned the Board of Education mistakenly accounted for \$55 million in state aid that was never allocated to it. These extenuating circumstances have caused the City to pause and rethink its approach on how to

maintain its fiscal progress. We must, then, understand that this year's budget will be like no other budget since I came into office.

Despite the obstacles presented by the Board of Education overstatement and the compounding interests of outstanding labor contracts, the Fiscal Year 2015 Budget continues our efforts to minimize the burden on our property taxpayers, staying within the property tax cap for a third consecutive year. The Executive budget proposal also provides for \$10 million to the Board of Education, an increase of \$5 million from last year, through consolidations with the City, in order to protect programs and support services that were only recently restored.

We are encouraged by positive signs of economic recovery realized in the FY 2015 budget including increased home sales, PILOT revenues, income and sales tax revenues. Plans for rebuilding our City will further expand our tax base and provide significant new revenue for the City's future.

Yet the growth in revenues does not meet the skyrocketing costs of fringe benefits beyond the control of cities like Yonkers that continue to be passed down from the state at a price tag increase of \$4.4 million this year alone, forcing the City to amortize \$20.6 million on the municipal side. These costs are unsustainable and despite our efforts to wean Yonkers off of its long addiction to short-term solutions, we recognize that the Board of Education's devastating overstatement may stall our efforts in the short term. However, I am proposing an honest, balanced budget that strives to continue the progress we have made, while slowly overcoming the Board of Education deficit, and staying within the confines of the state-mandated property tax cap that the City has accomplished for three consecutive years.

### **EXECUTIVE BUDGET SUMMARY**

The Executive Budget package takes significant steps towards fixing inherited structural problems in a balanced manner, while conforming to the property tax cap and managing the Board of Education's revenue overstatement. The proposed budget utilizes opportunities that will close the Board of Education gap in a responsible manner.

The Executive Budget for the Fiscal Year 2015 is \$1.02 billion, a 2.9% increase.

The Executive Budget includes a \$521.9 million appropriation for the Board of Education (BOE).

In order to close the Board of Education's revenue and structural deficit (\$72 million) presented this year, the municipal operating budget will assume \$10 million in administrative costs from the School District, providing Yonkers Public Schools with significant relief that will offset loss in revenue and preserve instructional/classroom costs. The \$10 million investment will allow for the much-needed consolidation of overlapping functions between the City and BOE that were causing the District to spend too much money on non-academic functions. Under the new state law that we requested and obtained, the City is now authorized to consolidate the Board of Education's administrative departments, which will include human resources, law and finance.

Additionally, the City will invest \$5 million for Board of Education textbooks. This, along with an additional \$45 million in state aid and \$12 million in additional administrative savings to be realized by the Board of Education, closes the Board of Education's budget gap.

In order to maximize savings through consolidations, I will be appointing a Commission on Consolidation & Efficiencies in the coming weeks. I will ask the City Council President, the Council Budget Chair, the Council Majority Leader and the Council Education Chair and members of the community to form the Commission and assist the Board of Education in finding efficiencies and achieving \$12 million in savings, or 2.3% of the overall BOE budget, without jeopardizing recently restored programs or adversely impacting the classroom.

Included in the Executive Budget is a municipal operating budget of \$497.1 million.

Recognizing that property taxpayers have been overburdened for far too long, the Executive Budget proposes an increase in the property tax levy of just 1.0%, one of the lowest property tax increases since 1998. For the year, an average property taxpayer will see their property taxes increase on an average of \$120. By staying within the state-mandated 2% tax cap for the 2015 fiscal year, Yonkers property owners will be provided relief through tax rebates offered by New York State.

Additionally, in order to offset the Board of Education overstatement and outstanding labor contracts which must be resolved to avoid further compounding interest costs, the City must find additional revenue streams and therefore proposes a revenue increase of \$9.8 million generated by maximizing the Personal Income Tax Surcharge (PIT) as authorized by New York State. The proposed PIT surcharge is 19.25% of one's New York State income tax, an increase of \$140 per year for the median household earning \$55,000 per year. The PIT is a more progressive revenue source and avoids impacting those living on a fixed income such as many of our City's seniors who would be severely impacted if the City were to break the property tax cap.

Even though we face challenges ahead, we have to invest in the quality of life of our residents as well. Included in the Executive Budget is \$44 million in proposed capital improvements – which is a holistic approach to allocating for improvements. The City expects the amount of this allocation will reduce as the administration and City Council negotiates and prioritizes the projects. I look forward to working with you and hearing input from our residents on how we can best plan for a better, stronger quality of life for Yonkers.

Overall, the Executive Budget continues to be a lean budget which does not propose additional cuts to vital services. In fact, the City expects added revenue for 2015 including an increase of \$3.9 million in sales tax revenue (4.8%) from the 2014 Adopted Budget and the increase of \$1.5 million in PILOT revenues.

In the end, the economic hardships facing our City are real yet, today, I propose a budget that takes aim at those hardships, is balanced and honest, and one which protects property taxpayers while providing historic investment to the Board of Education to help address their unforeseen deficit. .

I urge the City Council to build upon the spirit of cooperation that helped pass the first on time, unanimous, bipartisan budget in more than a decade. I remain willing to come to the table with our unions to produce contracts that are fair to our workforce and taxpayers, while reflecting the economic reality of our time. While we will work to continue to provide quality education and services, I ask the public to continue in the spirit of shared sacrifice as we confront ongoing fiscal challenges.

I look forward to an active and healthy discussion of our City's finances as we work to rebuild the great City of Yonkers.

Sincerely,

A handwritten signature in blue ink that reads "Mike Spano". The signature is stylized with a large, looping initial "M" and a cursive "S".

**MIKE SPANO**  
Mayor