City of Yonkers Comprehensive Review Report

Financial Restructuring Board
for Local Governments

June 2019

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Overview

The City of Yonkers is a large downstate city, one of the State's Big Five Cities, in Westchester County. With a population of 195,976 at the 2010 Census, it is the fourth most populous city in New York State.* 2017 expenditures of $604.6 million were the second most of all reporting cities. 2017 expenditures per capita were $3,085, fifth highest of reporting cities and significantly higher than the $2,181 median of reporting cities.

The City is governed by a seven-member City Council, including a Council President, each of which is elected to a four-year term. The President and the Council members from Districts 2, 4, and 6 were last elected in 2017 and will be up for election again in 2021. The Council members from district 1, 3, and 5 were last elected in 2015 and will be up for election again in 2019. Term limits prohibit the Council President and Councilors from serving more than 12 years in the same seat, and Council districts are based on population figures received from the Federal decennial census, with each ward of substantially equal population.

The Mayor is elected every four years with a three-term limit, and the current Mayor is the Honorable Mike Spano, first elected in 2011.

The City Council adopted, and the Mayor concurred with, a resolution requesting a Comprehensive Review by the Financial Restructuring Board (see Appendix A). On June 13, 2018, the Financial Restructuring Board approved this request for a Comprehensive Review with Resolution No. 2018-10 (see Appendix B).

This Comprehensive Review first gives some background on the City's fiscal eligibility and demographic profile. It then provides information on the organization and finances of the City. Finally, it presents the Comprehensive Review's findings and recommendations.

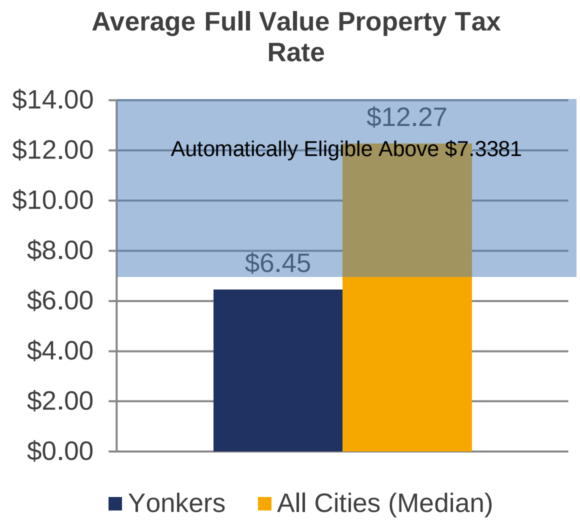
Background

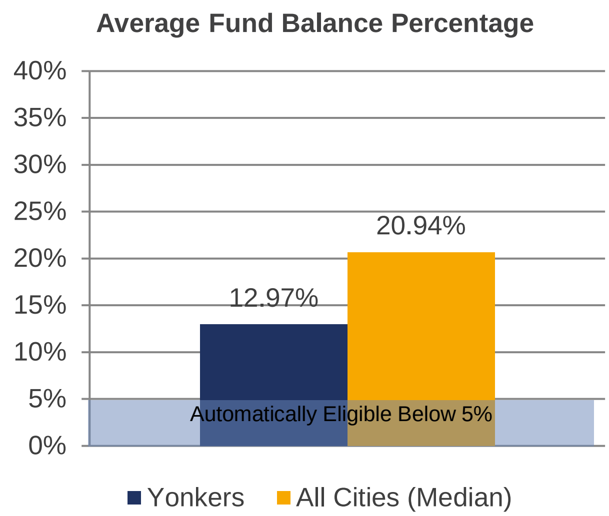
Fiscal Eligibility and Stress

The City of Yonkers is not automatically considered a Fiscally Eligible Municipality because its Average Full Value Property Tax Rate (2012-2016) of $6.4548 per $1,000 is below $7.3381 per $1,000 – the 75th percentile for all municipalities. This is the fifth lowest for all cities.

The City has an Average Fund Balance Percentage (2012-2016) of 12.97 percent, which is above 5.0 percent. This is 37th highest for all cities.

* All city rankings in this report exclude New York City





The Office of the State Comptroller's (OSC) Fiscal Stress Monitoring System gives the City of Yonkers a Fiscal Rating of “Susceptible” with a score of 53.3 for 2017, down from 60 in 2016. The factors contributing to this score include a low fund balance, low cash ratio, and a soft overall cash position. The issuance of short-term debt each of the last three years, and high personal service and benefits costs compared to revenues over a three-year average.

OSC's Fiscal Stress Monitoring System gives the City of Yonkers an Environmental Rating of "Susceptible Environmental Stress" with a score of 36.7 for 2017. Negative environmental factors contributing to this score include: a decrease in the median value of owner-occupied housing between 2011 and 2016 compared to the change in the consumer price index (-9.30 percent compared to 8.70 percent), a high reliance on State and Federal Aid over a three-year average (25.13 percent of total revenues), and a high unemployment rate in 2016 (8.6 percent).

Demographic and Socioeconomic Profile

Population Change

2000: 196,098

2010: 195,976

The City's population decreased by 0.06 percent to 195,976 from 2000 to 2010. In contrast, the typical city's population grew 0.5 percent over that same period.

The City of Yonkers’s median household income in 2016 was $61,272, which is more than the typical city's median household income of $35,731.

The City's median home value of $379,500 is more than the median home value of the typical city of $136,300. Its property value per capita in 2017 was $80,380-- the seventh highest of all cities in the State-- and its four-year change in property value was 5.6 percent. The City's 2016 unemployment rate was 8.6 percent, and the percentage of households on public assistance was 17.5 in 2016.

Organization and Finances

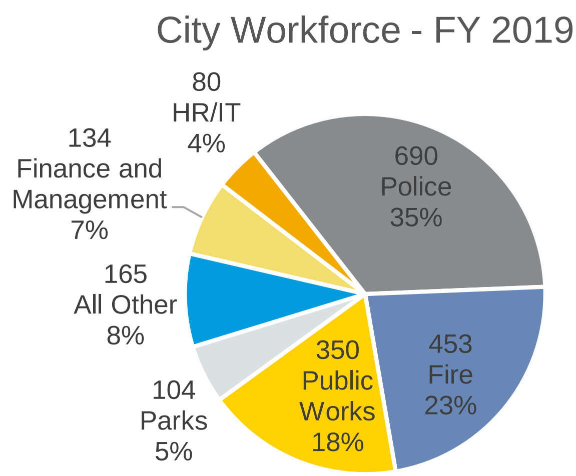
Organizational Profile

The City is governed by a seven-member City Council, including a Council President, each of which is elected to a four-year term. The Mayor is elected every four years with a three-term limit.

The City has several primary departments: the Executive, the Legislature, Corporation Counsel, Finance and Management, Human Resources, Information Technology, Planning and Development, Police, Fire, Public Works, Engineering, Parks, Housing and Buildings, Constituent Services, the Inspector General, Veterans Services, and Human Rights.

The City also has a dependent school district.

Staffing Levels



The City's fiscal 2019 budget supports 1,976 positions, down slightly from the prior year but up nearly 5.5 percent from 2013, reflecting in part the City's assumption of various back office functions and associated employees from the School District in fiscal 2015. The largest staff complements are within police (690), fire (453) and public works (350). Together, those three departments account for 75.6 percent of the City's total budgeted workforce.

Workforce/Collective Bargaining

Nine collective bargaining units represent the City's unionized workforce, each with varying contract terms and salary arrangements. All will expire within the next two years, presenting an opportunity for the City to comprehensively address labor issues across its unionized workforce. Two agreements expired at the end of calendar 2018: SEIU Local 704 and Teamsters Local 456. Four others will expire at the end of the fiscal year in June 2019: the Police Benevolent Association; the (Police) Captains, Lieutenants and Sergeants Benevolent Association; Firefighters IAFF Local 628; and the Uniformed Fire Officers Association. The remaining three – AFSCME Local 1897, a Managers unit of Teamsters Local 456 and a SEIU Local 704B subunit for library employees – will expire at the end of fiscal 2020.

Staffing Levels	
2013	1,873
2014	1,898
2015	1,969
2016	1,983
2017	1,998
2018	1,986
2019	1,976

The School District has four bargaining units, all of which have agreements in place through the end of fiscal 2021. These are the Yonkers Federation of Teachers, CSEA Unit 9169, the Council of Administrators and a managers unit of Teamsters Local 456.

Salaries and Other Compensation

Bargaining agreements for both the City and School District provided salary increases ranging from 2.5 percent to 4 percent in fiscal 2019.

Over the past 10 years, the timing of salary increases for each unit has varied. Several provided larger raises near the end of the agreements. Contracts for the four public safety unions provided successively larger salary increases starting at 1 percent in fiscal 2010 and ending at 4 percent each in fiscal 2018 and 2019. AFSCME agreements from fiscal 2008 to 2020 also gradually increased salary growth, peaking at 3 percent in 2019 and 2020. By contrast, SEIU Local 704 and the main Teamsters units received modest annual increases (ranging from 1 percent to 3 percent) with the exception of 2014, when they each received a 7 percent raise. Notably, after several years with no salary increases, Teamsters management employees for the School District received a 17 percent raise in fiscal 2015.

Next fiscal year (2020), AFSCME Local 1897, the SEIU library unit and School District Teamsters Management will receive salary increases of 3 percent; City Teamsters Management, teachers and school administrators, 3.5 percent; and CSEA school employees, 5 percent. Teachers, school administrators and CSEA will receive another 3 percent increase in fiscal 2021; Teamsters Management in the School District will receive a 4 percent increase that year as well.

Contractual Salary Increases by Year											
Union	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police *	1.00%	1.00%	1.50%	1.50%	1.50%	3.00%	3.00%	3.00%	4.00%	4.00%	n/a
Police Brass	1.00%	1.00%	1.50%	1.50%	1.50%	3.00%	3.00%	3.00%	4.00%	4.00%	n/a
Fire IAFF Local 628 *	1.00%	1.00%	1.50%	1.50%	1.50%	3.00%	3.00%	3.00%	4.00%	4.00%	n/a
Fire Brass	1.00%	1.00%	1.50%	1.50%	1.50%	3.00%	3.00%	3.00%	4.00%	4.00%	n/a
ASCME Local 1897	1.00%	1.00%	1.00%	1.00%	1.00%	2.00%	2.00%	2.00%	2.00%	3.00%	3.00%
SEIU Local 704 * **	0.00%	0.00%	0.50%	1.50%	4.50%	3.90%	1.00%	1.50%	2.50%	3.00%	n/a
SEIU Local 704b (library)**	0.00%	0.00%	0.00%	1.00%	2.00%	7.00%	1.00%	1.00%	2.00%	3.00%	3.00%
Teamsters Local 456 * **	0.00%	0.00%	0.50%	1.50%	4.50%	3.90%	1.00%	1.50%	2.50%	3.00%	n/a
Teamsters Management	0.00%	0.00%	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%	3.00%	3.50%	3.50%

* These contracts introduced either lower hire rates or additional steps before new hires reach full salary.

** These contracts operate on calendar years, but increases are shown over fiscal years.

The structure of these ten-year contracts, with greater increases at the end of the contracts, are contributing to the fiscal pressure being faced today--as these greater increases go in effect.

Yonkers Public School Salary Increases by Year							
	2015	2016	2017	2018	2019	2020	2021
Federation of Teachers *	0.0%	0.0%	3.0%	2.5%	2.5%	3.5%	3.0%
Council of Administrators **	0.0%	0.0%	3.0%	2.5%	2.5%	3.5%	3.0%
CSEA Local 1000 *	0.0%	0.0%	2.0%	2.0%	4.0%	5.1%	3.0%
Teamsters Management	17.0%	0.0%	0.0%	2.0%	3.0%	3.0%	4.0%

* These contracts provide an extra top step in 2015.

** This contract provides an extra top step in 2017.

Several recent labor agreements added a step to their salary structure, allowing the City to hire employees at reduced salaries and requiring an extra year of service before reaching the top salary. Ultimately, the top salary rates remain unchanged. For example, under the contract for IAFF Local 628, new hires will be paid 20 percent less than existing employees' starting salary in the first year. In year two, these workers will be paid 15 percent less than the previous step 2 salary, 10 percent less than the previous step 3, and so on until reaching full salary in their fifth year. Similarly, the police contract added a new step before reaching the top salary after year five. AFSCME Local 1897 and SEIU Local 704 have similar contract provisions reducing new hires' salaries 15 percent in their first two years and increasing pay in later years. Notably, several School District contracts provided new top salary steps for employees, effective in fiscal 2015 for the Yonkers Federation of Teachers (a $1,000 increase) and CSEA (a 2 percent increase), and in 2017 for the Council of Administrators (a $1,000 increase).

Many unionized employees are eligible for time-and-a-half overtime pay for hours worked above and beyond their standard schedules, with the exception of AFSCME Local 1894, whose members are generally not eligible for overtime. As an alternative to overtime pay, some employees can instead collect compensatory time, which can be paid out upon retirement. The police contract allows members to bank no more than 180 hours of compensatory time, and they can be paid for no more than 100 hours upon retirement or resignation.

Most contracts provide various provisions for additional pay, including longevity payments, shift differentials, allowances for uniforms or other specialized work clothes, and stipends for college degrees or professional certifications (particularly in the Fire Department for first responder, EMT and paramedic training). Firefighters who are certified or recertified as first responders, EMTs or paramedics also receive 20, 40 or 60 hours of compensatory time, respectively. Firefighters must use these hours before retirement or resignation and can bank no more than 100 hours at a time.

Teachers receive additional compensation based on educational attainment, with 12 horizontal steps for various levels of education, as well as longevity pay for service of more than 20 years and stipends for coaching sports.

Staffing and Schedules

City union contracts establish employees' basic work schedules. Notably, the IAFF Local 628 agreement sets a minimum staffing requirement that no fewer than 57 line firefighters must serve during each tour. The Yonkers teacher contract requires no less than 50 professional employees for every 1,000 pupils, and establishes maximum class sizes of 25 students in pre-kindergarten, 28 in kindergarten and first grade, and 30 in grades 2-12.

Teacher schedules are laid out in detail for both elementary and secondary buildings, including start times and periods to prepare for classes, with 185 work days per school year. SEIU Local 704 and AFSCME Local 1894 members work five 7-hour days (not including a lunch break) per week; public safety dispatchers represented by Local 704 work a schedule of 248 tours per year.

Firefighters are permitted to request an unlimited number of mutual swaps, which can be requested at any time prior to the start of a tour. Requests for swaps, however, may not be approved if they would result in additional cost to the City, or if they would cause the employee to work more than 24 consecutive hours. All swaps must be reciprocated within 12 months.

Additional discussion of police and fire schedules is presented later in this report.

Health Insurance

All unionized employees pay a percentage of monthly premium costs for health care, but details vary by unit. In general, new hires for all City bargaining units are expected to contribute at least 20 percent of the premium of an individual health plan or 10 percent for family coverage. New hires to AFSCME Local 1897 pay 25 percent and 15 percent, respectively. Contribution rates for unions vary widely, however, for members hired before key dates. Members of SEIU Local 704 hired before 1999, for example, pay a flat health care contribution of $1,500 per year.

Health Contributions for New Hires		
Union	Individual	Family
Police*	20%	10%
CLSA*	20%	10%
Fire*	20%	10%
Fire Officers*	20%	10%
SEIU Local 704	20%	10%
AFSCME	25%	15%
Teamsters Local 456	20%	10%
Teachers	10%	15%
School Administrators	10%	15%
Teamsters (Schools)	20%	10%
CSEA**	10%	15%

* New employees start off paying 50% for individual plans or 35 percent for family plans; contributions decrease on a sliding scale over the first six years of employment

** For grades 6-10 only; all others pay fixed amount based on grade

Police and firefighters pay a sliding percentage based on their length of service. Those with fewer than three years of service pay 50 percent of the premium cost for an individual plan and 35 percent of a family plan. The percentages drop to 45 percent and 30 percent, respectively, after year three; 35 percent and 25 percent after year four; 30 percent and 20 percent after year five; and 20 percent and 10 percent after year six.

SEIU employees hired since 1999 contribute 20 percent of the monthly premium for an individual plan and 10 percent for a family plan. As of 2015, existing AFSCME employees began paying the same percentages as SEIU, and new hires since that date must pay higher rates of 25 percent and 15 percent, as noted above. Retirees from the City typically make the same health care contributions as active employees.

Members of the teachers' union hired before 2017 pay a flat contribution of $800 toward an individual plan or $1,600 toward a family plan in the 2018-19 school year. These amounts increase annually to $1,000 and $2,000, respectively, as of the 2020-2021 school year, representing 8.2 percent of the cost of individual coverage, or 7.1 percent of family coverage under the New York State Health Insurance Program (NYSHIP) in 2019. Teachers' union members hired after 2017 pay 10 percent of the cost of an individual plan or 15 percent for family coverage.

School administrators hired since 2016 pay 10 percent of the premium cost for individuals and 15 percent for plans with dependents. Administrators who began working for the School District between 2005 and 2016 pay 10 percent regardless of plan type, with a series of caps on their annual contributions escalating through fiscal 2021. School District members of the Teamsters unit hired since July 2016 pay 20 percent of premiums for individual plans and 10 percent for family plans.

A 2017 agreement gradually increased the amount that CSEA Unit 9169 School District employees contribute to health care and established contributions for new employees at fixed dollar amounts of $300 for individual plans or $600 for family plans for hourly workers; $500 and $1,000, respectively, for grades 3-5; $700 or $1,400 for grades 6-8; and $1,000 or $2,000 for grades 9 and 10.

City employees are generally offered incentives to opt out of City health coverage if they can obtain equivalent coverage elsewhere. Additional discussion of opt-outs is presented later in this report.

Budget Profile

Yonkers' 2019 budget consists of seven main funds:

- General Fund
- Education Fund
- Library Fund
- Museum Fund
- Water Fund
- Sewer Fund
- Debt Service Fund

The General Fund, at $796.1 million before transfers out to other funds, represents approximately two-thirds of the total of all funds in the 2019 City budget. This amount includes the full receipt of the $378 million tax levy, a significant portion of which (nearly two-thirds) is transferred to the Yonkers Public Schools, as well as a portion deposited in the Debt Service Fund.

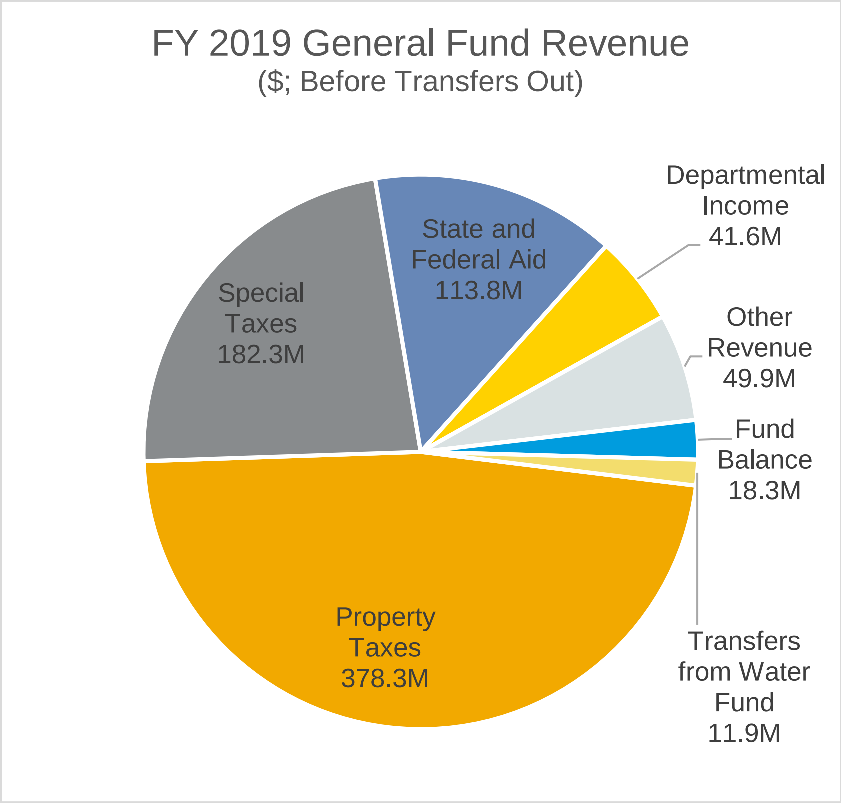
All Funds Expenditures					
	Actual			Budget	
	2015	2016	2017	2018	2019
City Departments	$271,927,941	$284,459,194	$296,383,612	$314,588,829	$321,857,063
Fringe Benefits	$130,030,364	$139,607,667	$147,989,860	$155,968,451	$166,325,634
Special items	$45,598,935	$44,818,422	$56,200,715	$40,275,929	$33,878,262
Board of Education (excl debt)	$500,454,799	$506,427,179	$523,940,617	$557,311,406	$582,615,150
Debt Service	79,191,135	$75,013,701	$97,051,356	$86,210,675	$86,133,979
Total	**$1,027,203,174**	**$1,050,326,163**	**$1,121,566,160**	**$1,154,355,290**	**$1,190,810,088**

The 2019 all-funds budget contains a year-over-year increase in overall expenditures of 3.2 percent. This includes a 2.2 percent increase in City expenditures and a 4.2 percent increase in expenditures for the Yonkers Public Schools, for a combined budget of nearly $1.2 billion. That total includes $575.2 million in expenditures for City purposes (net of transfers), which includes expenditures from the General, Water, Sewer, Library, Museum and Debt Service funds. School District expenditures total $615.6 million. The combined City and School district tax levy increased 6.2 percent over last year, from $356.2 million to $378.3 million. The overall tax rate grew 6.6

percent, to $804.72 per $1,000 of assessed value, comprising a City rate of $282.75 per $1,000 and a school rate of $521.97 per $1,000.

Revenues

The City relies on five main categories of revenue: property taxes, special taxes (including sales tax and the City's income tax surcharge), State and Federal aid, departmental income (such as parking violations receipts) and other revenues (more than half of which are from PILOT agreements). Collectively, these categories account for 92.6 percent of General Fund revenue. The 2019 General Fund also relies on approximately $18.3 million in appropriated fund balance to achieve balance, and it receives a nearly $11.9 million transfer from the Water Fund to offset services that general City departments provide to the Water Fund.



Notably, the City of Yonkers has a more diverse set of revenue streams than its statewide peer cities. Except for New York City, Yonkers is the only city in the State with an income tax surcharge, applying to both residents and nonresidents with Yonkers income. It is also one of approximately 20 cities to levy its own sales tax through preemption. As discussed further below, these two revenue sources account for $134.6 million in the current-year budget, nearly 17 percent of the total General Fund. As noted above, the General Fund totals $796.1 million, or $477.8 million net of transfers to the Education Fund and other City-related funds.

The other primary budget funds are resourced as follows:

- Education Fund: More than half of the budget is attributable to various forms of State aid, including general State funding, categorical aid, Video Lottery Terminal (VLT)-related funding and adjustments for prior-year aid. State aid accounts for $326.3 million, or 53 percent of the current year Education Fund. The property tax and sales tax transfer from the General Fund represents a combined $261.6 million (42.4 percent). The remaining revenues include appropriated fund balance ($25.1 million, or 4.1 percent) and miscellaneous federal aid, departmental income and interfund revenues.

- Library Fund: The vast majority of the budget ($10.3 million, or 94 percent) is underwritten through a General Fund transfer.
- Water Fund: This operates as an Enterprise Fund, with the vast majority of support ($41.8 million, or 90.1 percent) provided through water frontage taxes and metered sales to users. The fund also receives a $4.6 million transfer from the General Fund (9.9 percent) related to debt service.
- Sewer Fund: This also operates as an Enterprise Fund, with primary support ($8.4 million, or 93.2 percent) derived from sewer rent charges. The 2019 budget also includes a $400,000 fund balance appropriation. The relatively small sewer budget reflects that while the City is responsible for maintenance of sewer lines, catch basins and manholes, Westchester County operates a sewer district that covers most of the City and is responsible for treating Yonkers' wastewater.
- Debt Service Fund: This serves as the consolidated fund for paying annual principal and interest costs on all-funds debt. It is funded through transfers-in from the fund where the debt originated. In the 2019 budget, that amounts to $38.3 million from the General Fund, $4.6 million from Water, $3.4 million from Sewer, $3.3 million from Museum and $1.2 million from Library. An additional $1.1 million in appropriated fund balance is budgeted in 2019.
- Museum Fund: The Museum Fund’s $3.5 million budget is supported entirely through a transfer from the General Fund.

Total City Revenues (2019)	
General Fund	$796,143,503
Library Fund	$10,959,237
Museum Fund	$3,502,963
Water Fund	$46,355,463
Sewer Fund	$8,985,268
Debt Service Fund	$51,932,775
Less Transfers	($342,685,475)
Total	$575,193,734

Property Tax

Yonkers’ fiscal 2019 budget includes a combined City-School District tax levy of $378.3 million, of which $245.5 million (64.9 percent) is for education purposes and $132.8 million (35.1 percent) is retained by the City. The 2019 tax levy is a 6.2 percent increase over 2018, reflecting the City Council’s decision to exceed the State property tax cap, one of several steps taken to avert potential layoffs and program cuts. Overall, the levy has increased 12.8 percent since 2015 and 30.9 percent since 2009. In fact, the City increased its tax levy 17 years in a row (see chart to the right). This was to accommodate the pressure of City expenditures.

Property Tax Levy (by fiscal year)			
Year	City	School	Total
2003	$70,030,000	$135,000,000	$205,030,000
2004	$79,171,170	$136,000,000	$215,171,170
2005	$88,408,944	$156,742,226	$245,151,170
2006	$83,642,403	$171,193,767	$254,836,170
2007	$52,080,979	$207,832,879	$259,913,858
2008	$61,523,968	$210,832,879	$272,356,847
2009	$70,063,456	$218,849,240	$288,912,696
2010	$79,343,294	$217,849,240	$297,192,534
2011	$87,850,586	$217,849,240	$305,699,826
2012	$90,775,026	$224,749,240	$315,524,266
2013	$100,521,165	$227,299,649	$327,820,814
2014	$99,444,806	$231,475,454	$330,920,260
2015	$101,274,963	$234,173,588	$335,448,551
2016	$102,616,043	$238,456,472	$341,072,515
2017	$112,941,200	$242,491,128	$355,432,328
2018	$110,516,902	$245,726,369	$356,243,271
2019	$132,825,970	$245,504,384	$378,330,354
2020	$136,749,636	$248,958,233	$385,707,869

As of fiscal 2019, Yonkers had exhausted 92.3 percent of its Constitutional Tax Limit. As noted, the tax levy includes the City's support of the Yonkers Public Schools (YPS), as Yonkers is one of the State's "Big Five" fiscally dependent school districts. Legislation enacted by the State in 2007 imposed a maintenance of effort (MOE) requirement on Syracuse, Buffalo, Rochester and Yonkers (New York City had already been subject to an MOE requirement), mandating those cities maintain their local tax effort in relation to prior levels.

According to data published by the State Comptroller's Office, Yonkers' exhausted tax capacity has increased in recent years — from 55.3 percent in 2011, to 80.9 percent in 2013, to a peak of 94.3 percent in 2014. The exhausted share has since remained dangerously high and was 92.7 percent last year. The City's four-year financial plan projects that Yonkers will exhaust 97.4 percent of its Constitutional tax margin by fiscal 2022.

Constitutional Tax Limit Exhaustion	
Year	Percentage
2009	50.40%
2010	50.20%
2011	55.30%
2012	68.20%
2013	80.90%
2014	94.30%
2015	86.80%
2016	88.00%
2017	90.80%
2018	92.70%
2019	92.30%

Special Taxes

As a category, special tax items represent the second-largest share of the all-funds budget after property tax. After the School District portion of the property tax is transferred out, special tax items constitute the largest category of General Fund revenues. Sales tax represents the largest single source of revenue in this category, at $80.5 million, up 4.4 percent from 2018. (A separate 0.5 percent sales tax yields an additional $16.1 million for YPS, which is included in the overall category total shown above.) While heavily dependent on the economy, sales and use tax has been a fairly reliable source of revenue for the City, declining only once in the past 10 years, by 4.1 percent in fiscal 2010. Since fiscal 2009, City sales tax revenue is up 35.2 percent overall.

The second-largest special tax revenue is the City's income tax surcharge, which is expected to bring in $54.1 million in 2019. Starting in 2014, the City increased this surcharge from 15 percent of Yonkers residents' New York State tax liability to 16.75 percent. Actual revenue from the income tax increased 21.0 percent from fiscal 2014 to 2017 and was expected to increase 2.2 percent in 2018 and 5.9 percent in 2019.

Revenue from the City's 1.5 percent real estate transfer tax over the past 10 years dropped as low as $5.9 million in fiscal 2012 but has increased steadily in recent years. Revenue is budgeted at $14.1 million for 2019. The City's four-year financial plan discusses the possibility of increasing the rate to 3 percent with potential to generate an additional $12.1 to $14.1 million in annual revenue.

City and State mortgage tax and utilities gross receipts are expected to yield $7.8 million and $7.7 million, respectively. A hotel room and occupancy tax is budgeted at $1.1 million in 2019.

State and Federal Aid

State and Federal revenues to the City (excluding the School District) total $113.8 million in the 2019 budget, representing 14.3 percent of General Fund revenues. This is a 4.6 percent increase from 2018, reflecting an anticipated $5 million increase in "specialized state aid" related to potential assistance from the Financial Restructuring Board. In addition, State Aid and Incentives to Municipalities (AIM) comprises the vast majority of revenue in this category, at $108.2 million in 2019.

School District State and Federal aid totals $329 million in 2019. This includes $8.8 million in one-time "bullet" aid from New York State, as well as a 2.9 percent increase in basic State funding. Video lottery terminal aid.

City Department Income

The City anticipates $41.6 million in departmental income in fiscal 2019, or 5.2 percent of General Fund revenues. This is a 3.2 percent decrease from the prior year; overall, departmental revenue has increased 16.8 percent since fiscal 2015.

The 2019 budget includes $18.7 million in revenue from the Parking Violations Bureau. Other material departmental revenues include $5.3 million from the Police Department, $5.0 million from the Department of Housing and Buildings (which has responsibility for various inspections and permits), $3.6 million from the Fire Department, and $2.9 million from the Parks Department.

Other Revenues

This category totals $49.9 million, or 6.3 percent of General Fund revenue in the 2019 budget. It includes $23.3 million in PILOT revenue, up 8.7 percent from 2018. PILOT revenue has increased from $6.6 million in 2009. An additional $12.5 million is budgeted in prior-year tax payments, a revenue source that spiked from $9.1 million in fiscal 2016 to $22.2 million in 2017 before falling to $10.8 million in 2018. Other revenue sources include $5.2 million in interest on taxes and $4.7 million in cable television fees.

Expenditures

The City's 2019 Adopted Budget includes nearly $1.2 billion in expenditures, of which $575.2 million are for City purposes and $615.6 million are for Yonkers Public Schools. Overall expenditures increased 3.2 percent from 2018 – 2.1 percent for the City, and 4.2 percent for the School District. City expenditures are up 15.5 percent from 2015 and 36.6 percent since 2009.

City-Related Expenditures (2019 Budget)	
City Departments	$278,064,200
Water Bureau	$29,866,782
Sewer Bureau	$3,919,504
Museum	$250,000
Library	$9,756,577
Fringe Benefits	$166,325,634
Special Items	$33,878,262
City-Related Debt Service	$53,132,775
Total	**$575,193,734**

Expenditures are divided into four main categories: Departmental expenses, fringe benefits (including pension and employee medical insurance), special items (including a reserve for uncollected taxes, payments to terminated employees and litigation expenses involving outside counsel), and debt service. Personnel costs, including salaries and benefits, represent a large majority of operating expenses (75.2 percent of the all-funds budget).

City departmental spending totals $321.9 million in fiscal 2019, including General, Water, Sewer, Museum and Library Fund expenditures. This total represents a 2.3 percent increase over 2018. This includes $260.9 million in payroll; benefits, listed separately, total $166.3 million. The largest cost centers by far are the Police Department ($105.3 million, or 32.7 percent of total department spending), Public Works ($74.9 million, or 23.2 percent) and the Fire Department ($73.2 million, or 22.7 percent). Between 2013 and 2017, spending was up across many City departments, but particularly so in the Police Department (up 24.3 percent) and Fire Department (up 17.7 percent).

School District payroll represents $305.8 million, plus $162.1 million in employee benefits.

Fringe benefits total $166.3 million, up 6.6 percent over 2018. Employee medical, dental and life insurance represents the largest subcategory ($69.2 million, or 41.6 percent), followed by the combined Employee Retirement System (ERS) and Police and Fire Retirement System (PFRS) ($58.5 million, or 35.2 percent). Health, dental and life insurance costs are up 8.5 percent over 2018 and 35 percent over 2015; combined pension costs have increased 21.2 percent since 2015.

Special items total $33.9 million in the 2019 budget, a year-over-year decrease of 15.9 percent. The largest change involves the elimination of a one-year transfer of $3.4 million to the Yonkers Community Development Agency in 2018. There are also decreases in both reserves for uncollected taxes and spending on contractual settlements.

Debt service, which includes debt for the General, Education, Library, Museum, Water and Sewer funds, is budgeted at $86.1 million, essentially unchanged from the prior year.

Budgetary Gaps and Fund Balances

The City's past two General Fund budgets have relied on more than $59.9 million in appropriated fund balance. While the fiscal 2019 total ($18.3 million) is less than half what was budgeted last year ($41.7 million), regular reliance on reserves is, to some degree, evidence of a structural gap in that the City is dipping into its "savings account" to offset recurring expenses. As noted later in this segment, the trend over recently-completed fiscal years could be viewed as concerning, as the City's fund balance was consecutively and significantly reduced.

The City's audited Statement of Revenues, Expenditures and Changes in Fund Balances for governmental funds showed deficits in 2016, 2017 and 2018, though the General Fund shortfall in fiscal 2018 was less than the prior year ($14 million, as compared to $20.5 million).

Toward the beginning of fiscal year 2019, the City's four-year financial plan projected baseline gaps of $37.3 million in fiscal 2020, $40.9 million in 2021 and $42.5 million in 2022. When projected School District baseline gaps are added in, the aggregate baseline gaps grow to $94.2 million, $116.4 million and $131.5 million.

The City's unassigned General Fund balance has fluctuated over the past five fiscal years, ranging from $54.9 million at the end of fiscal 2013 to $81.3 million at the end of fiscal 2015. General Fund balance declined 42.6 percent from fiscal 2016 to 2018, the result of contraction in both assigned fund balance (by $20.6 million or 52.4 percent) and unassigned fund balance (by $9.8 million or 26 percent). The City relied on fund balance to address deficits from 2016 to 2018, budgeting $41.7 million in fund balance to achieve balance in 2018, $38 million in 2017 and $37.5 million in 2016. In practice, however, the City used less fund balance than appropriated each year. In fiscal 2013 to 2015, while the City anticipated using fund balance to resolve deficits, it ultimately did not, due largely to better than expected revenues, real estate sales and bonding costs that had been anticipated to come from operating revenues. Notably, under the Fiscal Agent Act, the City can only appropriate fund balance from the end of the prior fiscal year; for example, the fiscal 2019 budget essentially spends fund balance from fiscal 2017. The Fiscal Agent Act is discussed in more detail later in this report.

Reliance on Fund Balance Reserves (City only, in millions)							
	2013	2014*	2015*	2016	2017	2018	2019
Adopted Budget	$8.90	$17.00	$31.00	$37.50	$38.00	$41.70	$18.30
Actual	$ -	$ -	$ -	$0.20	$20.60	$14.10	N/a

* The City ultimately did not spend fund balance in these years. It instead increased fund balance by $20 million in 2013, $19.2 million in 2014 and $7.3 million in 2015.

The recent reduction in unassigned fund balance is noteworthy given that it provides "emergency" liquidity to the City, unlike non-spendable, restricted or assigned fund balance. It should be noted, however, that the year-end unassigned General Fund balance for June 30, 2018 was up more than $9.6 million from the previous year. That marks the first material year-over-year increase in unassigned fund balance since at least 2014.

The City's overall combined fund balances have fluctuated similarly, from a high of $210.1 million at the end of fiscal 2016 to a low of $102.6 million in fiscal 2014. Much of that variation is attributable to the Education Fund balance, which fell $51.2 million from fiscal 2013 to 2014, due to an incorrect treatment of advances in State "spin up" assistance, as discussed later in this report.

City of Yonkers						
Fund Balances (as of June 30 of each year)						
	2013	2014	2015	2016	2017	2018
General	$54,878,722	$74,074,820	$81,338,469	$81,188,505	$60,615,801	$46,600,179
Nonspendable	$4,464,686	$3,543,829	$4,173,560	$4,173,560	-	-
Restricted	-	-	-	-	-	-
Assigned	$18,816,058	$33,036,096	$39,214,537	$39,328,369	$42,354,793	$18,710,024
Unassigned	$31,597,978	$37,494,895	$37,950,372	$37,686,576	$18,261,008	$27,890,155
Education	$14,622,009	-$37,449,316	$10,858,145	$28,472,257	$43,689,027	$32,947,090
Community Dev.	$3,956,160	$5,788,916	$2,037,492	$1,127,279	$1,213,895	$5,243,208
City Capital Proj.	$50,567,945	$23,244,432	$34,693,490	$49,610,922	$42,551,941	$51,698,510
Education Capital Proj.	$43,761,064	$29,692,536	$29,377,371	$29,334,988	$21,061,536	$28,779,721
Nonmajor Funds	$7,899,331	$7,248,218	$4,780,535	$20,394,608	$25,786,881	$23,398,626
Total	**$ 175,685,231**	**$ 102,599,606**	**$ 163,085,502**	**$ 210,128,559**	**$ 194,919,081**	**$ 188,667,334**

It is worth noting that as of June 30, 2018, only the General Fund had any available unassigned fund balance. The Education Fund has not been able to maintain and build an unassigned balance, as it uses all available funds each year for gap closing.

Outstanding Debt and Ratings

The City had $547.3 million in outstanding debt principal as of June 30, 2018, down from $565.3 million the previous year. The vast majority of this total ($527.1 million) regards bonds issued since 2008 for purposes of public improvements, educational facilities improvements, tax certiorari and refunding bonds. Another $12.7 million pertains to notes payable for energy saving improvements at various City facilities over the past 15 years, as well as an energy performance contract with a balance of $5.1 million.

In August 2017, Moody's Investor Service maintained an A2 rating on the City's general obligation limited tax debt and an A1 rating on outstanding enhanced debt. Moody's said the City's outlook was stable. "The underlying A2 rating reflects the city's improved financial management, including recent legislation giving city management greater control over Board of Education (BOE) finances," Moody's noted at the time. "The rating incorporates the expectation that the city will continue to maintain limited reserve levels and rely on one-time revenue and expenditure items for the near term. The rating also reflects the city's manageable debt burden and a large, diversified tax base that will likely benefit from ongoing development." Moody's upgraded the City's rating from Baa1 to A3 in 2014, and from A3 to A2 in 2016, citing improvements in financial management.

In August 2018, Standard & Poor's affirmed an A rating for Yonkers' outstanding general obligation bonds, but lowered its outlook from stable to negative. Per S&P Global Ratings, "The outlook revision reflects our view of the city's deterioration in reserves as well as budgetary performance, particularly related to the school district's operations, after two years of relative stability in its financial position."

Special Local Finance and Budget Act of 1976

As noted earlier, the City operates under the requirements of the Special Local Finance and Budget Act of 1976 (Fiscal Agent Act). The Act authorized the City to issue long-term bonds to pay off outstanding short-term debt, among other obligations. In exchange, it established the State Comptroller's Office as fiscal agent for the City and mandated the City's compliance with a budgeting framework that was intended to better ensure conservative fiscal practices going forward.

The Act plays an important part in the City's annual budget process. The City Charter requires the Mayor to submit an Executive Budget for the coming fiscal year to City Council by April 15, at which time the Comptroller's Office typically begins reviewing the proposal. The City Council is then required to adopt the budget by June 1 unless the State budget is running late. The Comptroller's Office must review the adopted budget and any related justification documents for material compliance with the requirements of the Fiscal Agent Act, as well as the City's bond covenants, which typically incorporate provisions of the Act.

Generally, the Act requires the City to appropriate for each cost category at least as much as it 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 the State Comptroller's Office a detailed justification supporting the proposed action.

Typically, if the City wishes to decrease an appropriation, it must demonstrate that it has already taken concrete actions to achieve that reduction in spending. Anticipated or speculative savings are not generally accepted. To budget a new source of revenue, the City must have received revenue from that source in at least four of the last six months of the preceding fiscal year, and it can only budget the actual amount received during that prior year. In addition, the City can only appropriate fund balance from the end of the prior fiscal year, effectively creating a one-year "waiting period"; for example, the fiscal 2019 budget essentially spends fund balance from fiscal 2017. In each case, the City contends that this creates challenges for its budget development process, specifically in limiting its ability to budget for cost reductions or new revenues. Consider the following potential scenario:

> *The City wants to include in its new budget a staffing initiative that, in its view, will reduce overtime costs. Per the Act, it is not permitted to reduce the budgeted appropriation from the current actual level until savings has been demonstrated. However, requiring the full appropriation in the budget makes funding at the current level (i.e. the higher amount) available for the next year, and creates almost no incentive for the City Council to adopt such a measure (especially if it includes a reduction in personal service costs) and / or for departments to reduce overtime, since the money is technically available.*

Consider another scenario, using an example discussed in further detail in the Findings and Recommendations section of this report:

> *The City wants to establish a solid waste enterprise fund at the start of the fiscal year in order to shift collection and disposal costs out of the General Fund. Per the Act, however, the City would be unable to budget revenue collected by the new enterprise fund until the following fiscal year. The City also would likely be unable to reduce the existing appropriation for solid waste from its current level. In effect, the City Council would have to ask taxpayers to "pay twice" for solid waste service before incurring any benefits in the subsequent year.*

The Act also established requirements for the City to create and maintain certain funds, including a reserve for uncollected taxes and a special debt service fund which is managed by the Comptroller, and it further restricts the City's issuance of certain types of debt, such as tax anticipation notes and budget notes.

While the Act provides City bondholders added security and is meant to keep a "check" on the City's budgets and financial plan, a number of the Act's provisions are restrictive and could be revisited by the State in order to provide a modest amount of maneuverability and added incentive for the City in crafting its budgets.

Additional State Comptroller's Budget Review

In addition to complying with the provisions of the Fiscal Agent Act, the City is required to submit to the State Comptroller its proposed budget each fiscal year. The most recent review conducted by OSC, covering the proposed 2019-20 budget and dated May 17, 2019, identified a series of fundamental points of fiscal concern. They included:

- The inclusion of "unsupported revenue" in the School budget, resulting in a $17.6 million budget gap;
- The City's continued reliance on fund balance to close gaps in its School budget, which is compromising its ability to cover unforeseen shortfalls in revenue;
- The City's continued reliance on fund balance to close gaps in its General Fund budget, which is compromising its ability to cover unforeseen shortfalls in revenue;
- A reliance on $76.8 million in nonrecurring revenue for the 2019-20 City budget;
- Increases in water and sewer rates that, according to OSC's projections, may result in a revenue shortfall;
- An unrealistic reduction in tax certiorari payments from $7.8 million in fiscal 2019 to $0.5 million in fiscal 2020; and
- Police and fire overtime costs which have routinely exceeded budgeted amounts in each of the past five fiscal years.

State Education Aid and Local Support

State School Aid is designed to direct more funding to school districts with the lowest fiscal capacity and highest need. By some socioeconomic indicators, Yonkers is in a stronger fiscal position than its Upstate peers, the other "Big 4" cities of Buffalo, Rochester and Syracuse. The City's median household income in raw dollars is considerably higher (though it is important to note that the City's cost of living also is much higher). A lower percentage of children live in

Yonkers households with incomes below the federal poverty line than in the other cities. According to the American Community Survey, 25.9 percent of Yonkers children lived in poverty in 2012-16 – higher than the statewide share of 21.9 percent, but substantially lower than in Buffalo (47.8 percent), Rochester (50.5 percent) and Syracuse (48.2 percent).

But on some other measures, Yonkers is not dissimilar from the rest of the Big 4. Yonkers has roughly the same number of students in district-operated schools as Rochester, more than Syracuse and less than Buffalo. Further, 80 percent of Yonkers students are identified as economically disadvantaged according to the New York State Education Department (NYSED), in line with Buffalo (82 percent) but below Syracuse (88 percent) and Rochester (91 percent). Yonkers' rate of students with a disability is 18 percent – the lowest among the Big 4 but similar to Syracuse (20 percent), Rochester (21 percent) and Buffalo (23 percent). Lastly, Yonkers' English language learners' rate of 13 percent is lower than Rochester (15 percent), Buffalo (18 percent) and Syracuse (19 percent).

The result of the School Aid formula metrics of fiscal capacity and need, Yonkers receives less overall state education funding per pupil than Buffalo, Rochester, and Syracuse but more total aid per pupil ($12,100 in 2019-20) than the statewide average outside the Big 4 and New York City ($9,533) and significantly more than the average for other Westchester County school districts ($4,532).

Higher incomes in Yonkers partly reflect the higher cost of living in the New York City metropolitan area. Cost of living indices (for goods and services, groceries, health care, housing, transportation and utilities) suggest Yonkers' overall cost of living is approximately 28 percent higher than the statewide average, while Buffalo (29 percent lower), Syracuse (27 percent lower) and Rochester (26 percent lower) all lag the statewide benchmark. The Foundation Aid formula within School Aid, however, does include a regional cost index that impacts aid levels.

Yonkers schools have older facilities and, while the District completed more than $180 million in capital construction between 2005 and 2015, significant needs remain. The 2015 Building Condition Survey analyzed the current condition of school buildings and identified $578.4 million in upgrades. Yonkers has begun implementation of the Joint Schools Construction Board program authorized by the State in 2016.

The school building aid formula reimburses aidable school construction or modernization costs to districts according to a ratio based on a district's property value per pupil in relation to the State average. As of the 2019-20 Enacted Budget, Yonkers' aid ratio was 75.6 percent, while Buffalo, Rochester, and Syracuse were 98 percent. New York City was 56.9 percent. Yonkers' ratio has increased significantly in the last several years and it remains well above the Statewide, regional, or county average.

In terms of the City's capacity to fund its own education needs, Yonkers' property tax support of its School District is notable in comparison to Buffalo, Rochester, and Syracuse. In 2018-19, the cities of Buffalo, Rochester and Syracuse levied for schools, respectively, $70.8 million, $119.1 million, and $65.4 million; Yonkers, by contrast, has a school tax levy of $245.5 million on its own. As a share of total property tax levy, Yonkers' school contribution (64.9 percent) is in line with that of Rochester (66.7 percent) and Syracuse (65.3 percent); all three are significantly higher than Buffalo (48.7 percent).

The following chart summarizes several high-level yet pertinent comparisons between Yonkers and its peer cities within the State:

Big Four Education Funding and Student Needs				
	Yonkers	Buffalo	Rochester	Syracuse
Enrollment (2019)	26,414	40,836	32,325	21,436
Enrollment Change (2013-14 to 2018-19)	1.8%	1.7%	-.6%	-1.5%
Estimated State Aid (2019-20, $ in millions)	$319.62	$787.76	$675.09	$384.59
Estimated Aid per Pupil (2019-20)	$12,100	$19,291	$20,885	$17,942
Maintenance of Effort (MOE, $ in millions)	$261.6	$70.8	$119.1	$65.4
Constitutional Tax Limit Exhausted	92.3%	64.5%	80.7%	70.5%
Median Home Value	$379,500	$72,600	$77,800	$89,900
Average AGI / Total Wealth Pupil Unit	$148,939	$73,083	$62,008	$62,389
% Economically Disadvantaged	80%	82%	91%	88%
% Students With Disabilities	18%	23%	21%	20%
% English Language Learners	13%	18%	15%	19%

State Actions to Assist the City and School District

The State has taken significant action in recent years to provide additional revenue to the City and School District. This includes the following:

- Transferring $28 million from the State's Mortgage Insurance Fund (MIF) in 2015 to offset the budget deficit in the School District's FYE 2015 budget;
- Transferring $25 million from the MIF across 2016 and 2017 to offset the budget deficit in the School District's FYE 2016 budget ($14 million) and projected budget gap in the School District's FYE 2017 budget ($11 million);
- Approving a one-half percentage point increase in the City's local sales and use tax rate beginning in September 2015;
- Establishing the Yonkers Joint Schools Construction Board (JSCB) and authorizing the first phase of a school construction and renovation program;
- Authorizing a double maximum cost allowance (MCA) for the computation of Building Aid for three specific school construction projects approved by the Yonkers JSCB;
- Providing $8.8 million in Bullet Aid for FYE 2019, above and beyond the $15 million school aid increase in the State's FY 2019 Enacted Budget;
- Considering the City's request for $5 million in additional funds through the Financial Restructuring Board; and
- Providing an additional $12 million in bullet aid to the School District, above and beyond the $21 million school aid increase, in the State's FY 2020 Enacted Budget.

Yonkers' Fiscal Summary

The very recent FY 2020 budget for the City side of the financial plan enacted no major actions such as layoffs, and the tax levy's increase of 1.95 percent is within the State's tax cap, unlike last year's 6.2 percent levy increase. Of note, the City has exceeded the tax cap twice since FY 2012, the first year the cap was in place.

The use of all $28 million in available fund balance on the City side, plus the use of the FY 2020 tax levy increase, closed the vast majority of the budget gap the City was facing for the upcoming year.

On the School District side of the budget, for the FY 2020 budget, the District is benefitting from a $21 million increase in annual School Aid, plus an additional $12 million in one-time Bullet Aid. The City increased its support for the District by an additional $5 million over the prior year, or $13 million if a decline in support for debt services is excluded, the highest level thus far.

Still, even with these efforts, the District is again needing to use all available fund balance (approximately $7 million), bond $5 million for textbooks instead of paying funds out of the normal operating budget and eliminate 84 positions in order to trim expenses by over $12 million, in order to balance the budget.

In Yonkers, balancing the City and School Budgets has been a challenge, annually. Projected expenses consistently and significantly exceed revenues, requiring extraordinary assistance to close annual budgets.

This reliance on special assistance is not sustainable, and the need for significant action is essential as reserves and Constitutional taxing authority are exhausted. The City and School District must work to implement changes that reduce their cost structure while ensuring essential services are provided.

The remainder of this report attempts to highlight the areas the City and its residents, taxpayers, and workforce could collectively look to address in order to best live within the City’s means and find the right balance between quality of services and cost.

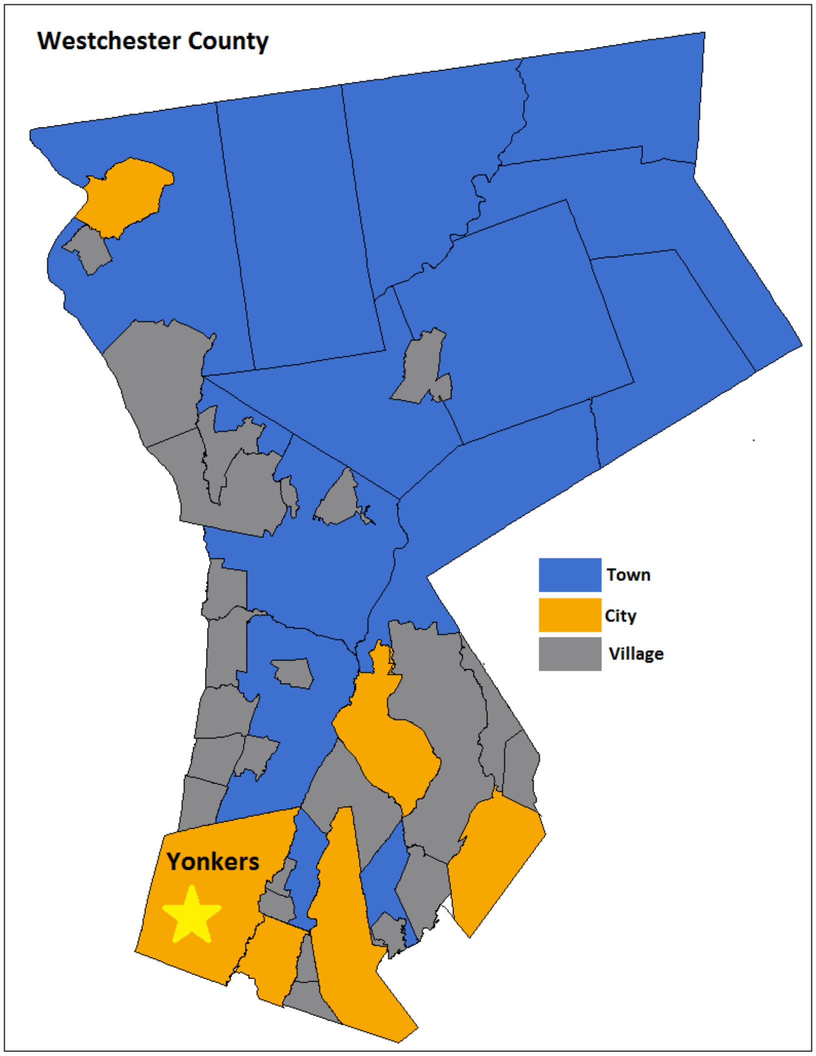
Findings and Recommendations

After a thorough review of the City's operations, the Board identifies findings and recommendations in the following areas: shared services, efficiencies, workforce, economic development, and fiscal performance and accountability.

Shared Services

Regional Government Context

As of the 2010 Census, Westchester County had a population of 949,113 and was the third most populous county out of the 57 counties outside of New York City. With a land area of 430.5 square miles, it is the 11th smallest county. With a population density of 2,204 residents per square mile, it is the second most densely populated county.



The County is governed by an elected County Executive and a 17-member Board of Legislators. Other elected County officials include: the District Attorney, the Clerk, the Treasurer, and the Coroner. As of 2018, the County had total expenditures of $1.94 billion, which is the second highest for counties, and total expenditures per capita of $2,787.58, which is the sixth highest for counties.

Within the County, there are five cities other than Yonkers, 19 towns, 23 villages, 46 school districts, 29 fire districts, and more than 320 town special districts and other entities.

The City of Yonkers is on the southwest corner of the County, along the shore of the Hudson River and the border of New York city, and it is bordered on the East by the City of Mount Vernon and the Towns of Bronxville, Tuckahoe, and Eastchester, with Hastings-On-Hudson and Greenville to the north. The City of Yonkers is the largest government in Westchester County.

Survey of Shared Services

Board staff, in conjunction with the City, conducted a survey on the general functions of the City and neighboring municipalities to ascertain duplication of services and potential areas for further consolidation. The City and its surrounding governments were asked to briefly describe current shared service arrangements in each service/function area and to identify any obstacles or opportunities for additional shared services.

Below is a summary of the results identifying which services are provided by each municipal entity:

Index of Municipal Services Provided			
Service/Function	City of Yonkers	Westchester County	School District
Police	X	X	
Dispatch/E-911	X	X	
Fire	X		
Ambulance/EMS	X	X	
Tax Collection/Treasurer	X		
Tax Bill Printing	X		
Tax Foreclosure	X		
Assessing	X		
Personnel/HR/Civil Service	X	X	X
Payroll/Time & Attendance	X	X	X
Purchasing	X	X	
Budget/Finance	X	X	
Code Enforcement	X		
Building/Zoning/Planning	X	X	
Park Maintenance	X	X	
Animal Control	X		
Plowing	X	X	
Paving/Street Maintenance	X	X	
Lighting/Traffic Controls	X		
Sanitation/Garbage	X	X	
Water	X	X	
Wastewater/Sewer	X	X	

Shared Services Actions and Opportunities

A local government's primary responsibility is to deliver services for the benefit and well-being of its residents. As the above chart aptly displays, there is significant duplication of services among the City of Yonkers and its neighboring municipalities.

If the City of Yonkers is to address any future budget challenge, it must maximize available savings from pursuing and implementing a shared services plan with its governmental partners. An effective plan will not only enable the City to reduce its cost structure going forward, but should also help partnering governments to reduce their costs as well.

In addition to the current shared service efforts between the City and its governmental neighbors and partners, other opportunities exist which may allow Yonkers to lower its current cost structure for existing services, enable future job attrition without exact refilling of current staff levels (presenting savings opportunities to both the City and the governmental partner it so engages with to share the service), and allow the City and its neighboring government the opportunity to receive grants and assistance from the State via a number of programmatic options.

One of the top priorities of a Board engagement with a municipality is to help identify and fund, when appropriate, shared service endeavors in order for the municipality, as well as other local governments, to save money while maintaining or improving service to their constituents. The recommendations in this section aim to accomplish this goal.

City-School Intermunicipal Agreement

One of the most significant steps taken by the City and School District involved a 2014 transfer of all Board of Education (BOE) operational and financial controls to the City. The action followed an acute fiscal crisis brought on by discovery of the District's misstatement of two years' worth of revenue totaling $55 million. Specifically, the District had incorrectly budgeted $26.9 million in incremental new revenue from a state aid spin-up in fiscal 2013, and another $28.1 million in fiscal 2014, none of which it was statutorily entitled to.

Following identification of the misstatement, the Board of Education entered into an intermunicipal agreement (IMA) dated February 3, 2014, which provided for the City's Department of Finance to deliver interim financial consulting services to the Board of Education through the end of June 2014. These initial services included: a) developing and recommending for implementation a cost benefit analysis of all BOE activities; b) the review of financial processes and departmental operations, and the making of recommendations designed to improve efficiency and effectiveness; c) monitoring revenue and expense budgets; d) developing and / or implementing the BOE's annual budget; e) developing and / or implementing the BOE's four year plan; and f) recommending, for approval by the BOE, any functions necessary to carry out the interim fiscal obligations of the BOE.

The subsequent State budget, adopted on March 31, 2014, included a "Yonkers City School District Deficit Financing Act," which, in addition to providing financial assistance, conditioned such assistance on execution of an IMA between the School District and City whereby the City would "impose specific financial, operational and / or supervisory controls over the School District." Atop that requirement, the City's own fiscal 2015 budget provided that the City would "immediately absorb the operations and expense of various School District administrative functions." The combination spanned the following functions:

- Financial and budgetary controls, including financial management, accounts receivable, accounts payable, accounting, budgeting, payroll, capital programming and financing, capital project oversight, grants accounting, procurement and contracting, consultation on all labor contracts, office of claims auditor, and property acquisition / building / leasing;
- Personnel and human resources functions;
- Legal functions;
- Communications and public information functions;
- Chief Administrative Officer functions, including but not limited to records management, central printing and mailing; and
- Information technology functions.

Pursuant to the consolidation, the City absorbed 52 district employees and $10 million in expenses, thereby freeing up an equivalent amount in the School District budget. There is now a single chief financial officer for both the City and district. The City indicates that it was able to provide those functions for approximately $7 million, creating $3 million in efficiency. The City notes that the original $10 million was approximately 60 percent reimbursable by the State when it was in the District budget; shifting it to the City budget resulted in the loss of that reimbursement. Subsequent sections of this report discuss other areas for further potential collaboration and consolidation between the City and School District.

In addition to these core services, the original agreement contemplated that the "the City shall have the right to assume Supervisory control over" a range of additional District services, namely public works functions, facilities and grounds management, engineering and transportation management.

To date, while the City does provide some oversight to these District functions, it has not formally assumed full responsibility for them. One factor in this is the requirements created by the maintenance of effort standard established by the State in 2007, which requires Yonkers and other "Big 4" cities maintain their property tax support of education in relation to prior levels. This can have the effect of the City being reluctant to assume additional costs in its budget without also being able to commensurately reduce the level of support to the District to offset these additional costs to the City.

The potential impact of further service consolidations in areas such as public works functions, facilities and grounds management, engineering, and transportation management between the District and City is indeterminate at the present time. But as a frame of reference, it is worth mentioning that in the area of public works-related functions alone (including facilities, grounds and infrastructure), the District's fiscal 2019 budget contains $16.8 million.

As all Yonkers taxpayers benefit from savings achieved between the City and School District, it is important that the City and School District continue to work to find and implement further opportunities for shared services between the entities.

Recommendation: The Board acknowledges that the City's merger of City and School District back office functions which occurred in 2015 was a significant shared service which resulted in immediate savings and serves as a model for other efforts. In recognition of this achievement, the

Board may, in its sole discretion, award a grant of $5 million for its 2018-19 fiscal year. The specific structure and conditions of such grant, which would be developed in consultation with the City, and any other aspects of such grant would be subject to an affirmative vote of a majority of the total members of the Board.

Westchester County Shared Services Initiative

In 2017, New York State introduced a new initiative to generate property tax savings by facilitating operational collaboration between local governments. Known as the Countywide Shared Services Initiative (CWSSI), it established a shared services panel in each county. Chaired by the chief executive officer of the county, the panel was tasked with working to help develop, and ultimately approve, a countywide shared service property tax savings plan through intergovernmental cooperation to find new opportunities to share and coordinate services.

Westchester County completed its response to the CWSSI in 2017 and developed an updated version in September 2018. The updated plan estimates potential annual savings of $27 million, including proposals that may offer savings opportunities for Yonkers or were suggested to the County in part by stakeholders in the City.

Proposals with potential relevance to the City include:

- Creating a countywide online portal system for municipalities and school districts in Westchester County to share equipment, materials, purchasing, specialized services and personnel;
- Regionalized law enforcement and emergency services, including consolidated dispatch, justice courts and evidence storage;
- Creation of a countywide health consortium to pursue lower health insurance rates for municipal employees;
- Regionalized management of tax assessment, through either intermunicipal agreements or the County assuming certain functions;
- Centralized storage and digitization of municipal records;
- A countywide centralized contract for information technology services;
- A County-coordinated audit of energy efficiencies across all municipalities;
- Expanded participation in the County's community choice aggregation (CCA) program, which leverages collective energy purchasing; and
- Sharing of school resource officers across school districts, using Westchester County Police.

The shared services report also describes proposals that are still under development or require further study. These include examining ways to handle administration of Civil Service responsibilities more efficiently, a more regional and cooperative approach to collective bargaining, and developing shared administrative, financial and accounting systems for municipalities. The potential of developing regional water and sanitary sewer districts and sharing highway maintenance facilities was also discussed.

Public Safety Dispatch

The current duplication of public safety answering points and police dispatch centers in Westchester County, including Yonkers, was identified as a potential shared service in the

County's most recent Shared Services Initiative plan. There are 43 separate Public Safety Answering Points (PSAPs) managed by villages, towns, cities, the County and State, knit together in a patchwork system that through its work practices can delay response to emergencies when calls are transferred between organizations and requires costly duplication in equipment and personnel.

Yonkers itself employs 28 full-time civilian staff to answer landline emergency calls, wireless emergency calls and dispatch police and fire resources. All landline 911 calls are directed immediately to the Yonkers 911 center, which is managed by the Police Department. The wireless 911 calls are first answered by the New York State Police at its PSAP and then transferred to Yonkers after critical information, including location of caller, location of event and type of event, is gathered by the first call taker. Yonkers publishes an emergency seven-digit number and encourages residents to use that number on their cellular phones in order to directly reach the City's 911 center. (This undercuts 50 years of progress in adopting a standard number for emergency calls, but current technology cannot reliably route wireless 911 calls to Yonkers as opposed to its neighbors, including New Jersey.) Calls requiring an ambulance are then transferred to Yonkers' contract ambulance for additional information gathering and potential first aid instructions.

In Monroe County (including Rochester) and Onondaga County (including Syracuse), all 911 calls (wireless and landline) and initial emergency dispatching of police, fire and EMS occurs in one building. This system works to speed response to an emergency by having resources dispatched while the call taker is still gathering information. The call taker is also certified to give emergency medical care instructions over the phone.

There can be a strong case for fiscal savings and improved operations if all call taking and dispatching were managed by a single entity. The existing fractured method of call receipt and dispatching dates back generations (of personnel and technology) and cannot be quickly changed. However, through a series of negotiations and incentives, it would be possible to develop a new consolidated system that would provide better service to the public through quicker processing of emergency calls and prompt medical care instructions, as well as improved service to the public safety professionals in the field. While a single center would be ideal, the County could be served by smaller regional centers (perhaps south and north) that would bring many of the same benefits.

A unified public safety answering point and dispatch center would be able to provide a quicker response to wireless 911 calls by eliminating the call transferring and duplicative information gathering, which delays help by an estimated 30 seconds per call. The new center would create a more efficient work process for both call taking and dispatching, as service demand levels can be better addressed on a broader population. Additionally, the new center would only need a single set of operational equipment and technology such as radios, phones, and records management systems. This aspect of emergency communications continues to increase in expense as technology needs grow and standards modernize to meet what is known as the federal Next Generation 911 standard.

Finally, the new system would be less expensive than each of the 43 PSAPs maintaining its own workforce. The current system has excess capacity that could be gradually scaled back through retirements and reassignments. Potential savings cannot be determined without a clearer sense of the actual structure and number of participating PSAPs/municipalities, however the County's 2018 Shared Services Initiative submission estimated consolidation of public safety access points was capable of generating $1 million – an estimate the plan noted to be "extremely conservative." The plan further noted that "Yonkers alone would probably save at least $300,000 if they consolidated their dispatch services, as they indicated interest in their survey."

Recommendation: The Board recommends that the City, in conjunction with its governmental neighbors, develop and implement a shared services plan that will lower the annual cost of providing specific services and address the inherent duplication of services via multi-governmental jurisdictions.

Efficiencies

Leased Space

Presently, the City leases nearly 182,000 square feet of space to supplement municipally-owned physical plant. Among the leased facilities are spaces for Fire (special operations, headquarters); Police (police units, property records, I-Park, special services); Public Works (Dellwood); and Emergency Management. Current leases have varying lengths, with remaining terms running from the end of 2018 through the end of 2028. In calendar year 2018, the City's leased space costs will total $2.7 million. Based on data provided by the City, it appears that anticipated lease costs will fall over the next two years – to $2.2 million next year and $1.5 million in 2020.

There may be opportunities for the City to further consolidate or reconfigure its physical plant in such a way that reduces the number (and cost) of current leased facilities. However, two caveats should be noted. First, space reconfigurations would require more detailed analysis than is possible as part of the Board's review. Second, to the extent that a shift from leased space to municipally-owned space requires the City to acquire additional property, that may remove currently taxable properties from the tax rolls, reducing the City's taxable revenue.

Payments in Lieu of Taxes

Like many municipalities in New York State, Yonkers makes use of payments in lieu of taxes (PILOT) and related tax exemptions in its efforts to attract and retain development and stimulate job growth. The Yonkers Industrial Development Agency (IDA) provided a total of $57.6 million in property, sales and mortgage recording tax exemptions to 68 projects in fiscal 2017, the most recent year for which data were available from the State Authorities Budget Office. These projects were valued at a combined $3.4 billion. After receiving $23.8 million in PILOT payments, the City's net exemptions for 2017 were $33.9 million.

Between 2009 and 2011, the IDA authorized a 144 percent increase in net exemptions before leveling off in subsequent years, per the State Authorities Budget Office. Net exemptions increased again by 25 percent between 2013 and 2015, followed by smaller fluctuations in 2016 and 2017.

The value, terms and duration of tax exemptions in Yonkers vary widely. One of the largest in recent years was a 2016 agreement with a real estate company for 454,000 square feet of residential space and 40,000 square feet of retail and restaurants. The project was valued at $181.5 million. In fiscal 2016 and 2017, the project received $1.8 million in total exemptions, most of which were State and local sales tax exemptions. The 20-year agreement requires the developer to make PILOT payments starting in fiscal 2019 and totaling $27 million over the life of the agreement.

Other agreements are far smaller. A $2.2 million project – at a luxury clothing business and retail store – received a 5-year agreement from the Yonkers IDA, with exemptions totaling $80,100 in fiscal 2016 and 2017, and PILOT payments totaling $122,180 over the life of the agreement.

Any local tax exemption raises questions of whether municipal officials are applying tax relief as judiciously as possible, whether such relief is truly necessary to secure development projects, and whether the public's investment is ultimately worthwhile. These questions are difficult to answer; it is rarely possible to state conclusively whether a development would have occurred without associated tax relief. There may nonetheless be opportunities for the City to revisit how it determines the necessity and extent of tax exemptions. City leaders, however, contend that in a competitive market, tax exemptions have been indispensable in attracting important development projects to Yonkers in recent years, and have generated significant revenue for the City by redeveloping otherwise vacant or underutilized sites.

In part, the City notes that the cost of construction for high-profile development sites in Yonkers is similar to that of New York City, but Yonkers' rents are typically lower. This suggests that return on investment is often lower for developers in Yonkers. The City also contends that it is effectively competing with New York City's 421-a property tax exemption for residential development. This is a full property tax exemption for multifamily housing developers who set aside a percentage of affordable units. The exemption applies for a three-year construction period and 35 years after a project is completed. By contrast, the City states that as a general rule for larger projects, it aims for PILOTs that offer a 35 percent reduction on all taxes for a 20-year period.

Take-Home Vehicles

As of November 2018, the City reported 123 take-home vehicles provided to employees across 18 departments. The largest share of those vehicles – 53, or more than 43 percent of the entire pool – are assigned within the Police Department to Deputy Chiefs, Captains, Lieutenants, Detectives and Sergeants. Other departments with multiple assigned take-home vehicles include Housing and Buildings (12), Fire (8), Parks (7), Street Maintenance (7) and Water (7).

In standard practice, take-home vehicles are provided to specific municipal personnel less as a perquisite, and more as a reflection of a 24/7 role that may require rapid response, including after normal business hours. In this sense, it is not uncommon for municipalities to have a fleet of take-home vehicles. There is a cost to take-home vehicles, however, as the City is responsible for maintenance (both routine and repairs), registration and insurance. Additionally, the City provides fuel for take-home vehicles.

As a cost savings measure, the City could consider reducing its take-home fleet where municipally-owned vehicles are not essential or subject to collective bargaining.

Ambulance Service

Since 1993, the City has had a contract with a Yonkers-based ambulance service to provide ambulance services. The current agreement was renewed January 1, 2017 and is effective through December 31, 2020. Under the contract, the service provides "prompt and efficient emergency ambulance services" and advanced life support services; all required patient care and transportation; decontamination services; demonstrations and programs of EMS services to Yonkers Public Schools and other community organizations; and replenishes all disposable supplies used by the City's First Responder Service and Emergency Medical Services Unit, as agreed to with the Police and Fire Departments.

The private provider is permitted to bill directly for services rendered. In most cases, these bills are passed onto service recipients' insurance providers.

The contract between the City and the provider includes a billing schedule, with Basic Life Support calls ranging from $462 to $485 one way (plus mileage), and Advanced Life Support calls ranging from $637 to $675 one way (plus mileage). Responses resulting in refusal of medical treatment or transport are billed at $198 each.

Yonkers' contract does provide for certain service standards, including staffing levels and response times. Unlike the ambulance contracts in the Cities of Buffalo and Rochester, however, Yonkers' agreement does not include a base fee paid to the City an on annual basis. The City of Buffalo's current contract with a vendor pays the City $477,614 this year. The City of Rochester's contract with the same vendor generates more than $300,000, not counting additional fees paid to the City for noncompliance with contractual performance standards.

Including a base fee component in its existing ambulance franchise contract would provide Yonkers the opportunity to generate new revenue on an annual basis. Further, Yonkers could consider soliciting competitive bids at the next renewal that might lead to both improved service and enhanced revenue to the City. There are several other ambulance companies that have operating authority inside Yonkers.

Benchmarking to the fee revenue generated in the Cities of Buffalo and Rochester, it is reasonable to believe Yonkers could realize a base fee in the range of $300,000. Moreover, a contract structured similarly to Rochester's would provide an opportunity to monetize performance standards on top of the base fee.

Any franchise-based contract would be subject to a formal RFP and require approval of both the City and its selected vendor.

Fire Department Timekeeping

The Yonkers Fire Department is a complex operation with about 450 employees. Although there is a published work schedule that specifies which set of employees are scheduled to work a specific shift, in reality this functions as only a rough outline of who will be at work. There is a strong culture of swapping shifts between firefighters and line supervisors, resulting in nearly unlimited opportunities to work 24-hour shifts instead of the scheduled 10-hour day shifts and 14 hour-night shifts, which creates opportunities for 3+ calendar days off. Additionally, there are thousands of hours of overtime worked each pay period. All of these shift changes and overtime shifts are tracked using a paper-based form that is submitted to fire administration and then entered into a database that allows for proper tracking and compensation. There is a delay of several days in processing the slips and entering them into the timekeeping database.

The City should pursue a more modern electronic timekeeping system that allows for near-simultaneous processing of timekeeping and staff leave information. The new system should also allow for tracking of additional information for both the City and the firefighter.

By moving to a new and more robust system, the Fire Department administration would be able to eliminate the handling of paper and speed the processing of timekeeping and leave information. There would also be additional information, such as the date of the reciprocal shift change and the nature of absence. With the addition of more granular information on absences and swaps, the fire administration might be able to identify work practices that are frequent sources of injury. While the union has won the right to unlimited shift swaps, the fire administration should look to enhance their tracking of these swaps to ensure they are not abused. Further, an electronic system would enable the central City Administration to observe the activities inside the department and provide another layer of oversight on the use of overtime in the department.

It should be noted that the Police Department also has its own finance and payroll office, which uses the slightly more modern timekeeping/payroll system. However, the Police Department finance office and the City's central finance office have a more collaborative process and similar structure, unlike the Fire Department.

Peer Comparisons of Police and Fire

Police and fire are among the City's largest departmental expenditures, which is common across the state. To better evaluate cost and service level, this Review compares Yonkers to some of its peers in terms of costs and staff sizes.

Personal Service Costs					
Department	**Yonkers**	**Syracuse**	**Rochester**	**Buffalo**	**New Rochelle**
Police					
Budgeted Staff	690	629	852	1008	204
Per 10,000 Pop	34.2	43.9	41.0	39.0	25.5
Per Square Mile	38.3	25.1	23.8	24.8	19.7
Personal Service Budget (excl fringe)	$100,649,359	$44,299,812	$80,106,600	$86,668,823	$23,165,298
Per Capita	$498	$309	$385	$335	$290
Per Budgeted Staff	$145,869	$70,429	$94,022	$85,981	$113,555
Per Staff Cost Compared to Yonkers (%)	-	-52%	-36%	-41%	-22%
Fire					
Budgeted Staff	453	406	502	785	158
Per 10,000 Pop	22.4	28.3	24.1	30.4	19.8
Per Square Mile	25.2	16.2	14.0	19.3	15.3
Personal Service Budget (excl fringe)	$70,874,424	$33,177,062	$47,947,900	$55,989,088	$19,181,956
Per Capita	$351	$231	$230	$216	$240
Per Budgeted Staff	$156,456	$81,717	$95,514	$71,324	$121,405
Per Staff Cost Compared to Yonkers (%)	-	-48%	-39%	-54%	-22%

Notes

Data are based on the adopted budget effective in each city as of November 2018. For New Rochelle, which operates on a calendar fiscal year, that is the FY 2018 budget; for all other cities, that is the FY 2018-19 budget.

Staff and personal service figures reflect total budgeted levels. For each city, this includes both sworn and civilian personnel.

Personal service costs include only the following: Salaries, temp services, contractual benefits, holiday pay, night differential, sick leave reduction, overtime, wages F/T weekly, sick time buy back, seasonal salary, acting / vaulted time, court time, field training officer time, education incentive, perfect attendance incentive, fire prevention time and fire prevention / schools time. For those cities budgeting uniform allowances, clothing allowances and tool allowances in personal service lines, those costs have been removed in order to calculate direct compensation payments. Rochester's budget is the only one in the benchmark group to not provide detailed line-items for personal service costs. The Rochester figures in the table therefore reflect the "Personnel Expenses" total in their budget.

Budgeted staff counts for Buffalo are drawn from the Buffalo Fiscal Stability Authority's review of the adopted 2018-19 budget. For all other cities, the staff count is drawn from the adopted budget.

This benchmarking of budgeted costs finds Yonkers has the highest personnel costs for police and fire, both per capita and per budgeted staff. The City's cost per budgeted staff for police is a little more than 2 times that of Syracuse, about 1½ times Rochester, nearly 1¾ times Buffalo, and about 1¼ times New Rochelle. On the fire side, the cost per budgeted staff in Yonkers is approximately twice that of both Syracuse and Buffalo, about 1½ times that of Rochester, and about 1¼ that of New Rochelle.

Yonkers has a higher cost of living than its upstate peers, and higher police and fire salaries may partly reflect this difference. One way to gauge whether police and fire personnel costs are high relative to all workers' incomes in each city is to compare per staff costs to median income.

Yonkers' median household income is about $62,400 (based on the Census Bureau's 2013-17 American Community Survey estimates), which is 93 percent higher than Syracuse ($32,250). The difference in cost per budgeted staff for police is more pronounced: Yonkers' cost is 107 percent higher than in Syracuse. While Yonkers' median income is about 20 percent less than New Rochelle ($77,320), Yonkers' per staff costs for both police and fire are nearly 30 percent higher than in New Rochelle. Similarly, while Yonkers' median income is 80 percent higher than Buffalo ($34,720), its cost per budgeted staff for fire is considerably higher (119 percent) than in Buffalo. Again, this suggests that while differences in cost of living may account for some of the disparities in personnel costs, there are likely other factors at play.

Restructuring police and fire services requires both careful evaluation and an honest appraisal of the needs of the community, ensuring that needs of the community and the cost of the service are appropriately considered.

Police Resource Utilization

The Yonkers Police Department operates with 611 sworn officers, down about 5 percent from its peak in 2008. The Department is divided into three bureaus: Field Services, Support Services and Investigations. Among the benchmark cities shown in the table, its staff size per 1,000 residents is roughly average, and it presents the lowest rate of index crime per 1,000 residents – less than half the benchmark average and less than a third of Albany, Buffalo, Rochester and Syracuse.

Police Benchmarks Comparison

Benchmark	Yonkers	Syracuse	Buffalo	Rochester	New Rochelle	White Plains	Mount Vernon	Albany
2017 Sworn Officers	611	420	781	761	161	191	191	333
Sworn per 1,000 Residents	3.02	2.93	3.02	3.66	2.01	3.3	2.78	3.39
5-Year Average Index Crimes	3,060	6,466	14,249	10,456	1,420	1,143	1,708	4,483
Index Crimes per 1,000 Residents	15	45	55	50	18	20	25	46

In staffing and cost terms, the largest portion of the Department is the Field Services bureau. Patrol officers work out of four precincts spread throughout the City. There are between three and five patrol vehicles per precinct on duty, and most of the vehicles operate with two officers at a time. Some routine patrols are performed by foot in densely populated areas. Each precinct has a station that is staffed 24 hours per day, with a full-duty officer always available in the station. The precincts each have a captain in charge and an active citizen community council that serves to bring citizen concerns to the police. There is also a Traffic Division, Emergency Services unit, Office of Emergency Management and Pattern Crimes Task Force inside the bureau.

The Support Services Bureau contains the next largest share of the police workforce with a broad range of units. The Communications Unit operates the 911 answering point and dispatch center in Yonkers. There are six civilian dispatchers and a police lieutenant on duty for a typical shift in the communications center, which handles all emergency communications including the fire service, although EMS calls are transferred to the contract provider after essential information is gathered. There is also a Detention Services Unit that manages the City's pre-arraignment facility, a Courts Unit that provides support and coordination between the staff in the YPD and the courts, a Training Division, a Planning Unit, an Accreditation Unit and an Inspections Unit.

The Investigations Bureau is the smallest of the three bureaus, housing several divisions that focus on more specialized aspects of investigating crimes such as Computer Tech, Major Cases, Narcotics/Gang Unit, Youth Services and Cold Case Unit.

As noted above, the crime rate in Yonkers is relatively low compared to the peer group. It has also seen a steady decline in the report of serious crimes since 1990, falling a remarkable 73 percent during that time. While there has been a broader societal decrease in serious crime during that time, Yonkers has seen a sharper reduction. For example, since 2008, the State has seen a 22 percent drop in serious crime; Yonkers has seen a 30 percent drop over the same period.

There may be opportunities to improve the operations of the Department with an eye toward building greater operational efficiency and financial savings. Several opportunities could be considered as part of broad review of police operations.

The collective bargaining agreement between the City of Yonkers and the Police Benevolent Association (PBA) provides for a "4-on, 2-off" work week. That is, each officer is assigned to work 4 days, followed by 2 days off, after which the cycle is repeated throughout the year. By contract, officers work 234 days per year or 58.5 cycles. The total hours worked are 1,872.

The "4-on, 2-off" schedule has the effect of increasing the size of the required workforce beyond what it would otherwise need to be. This is because under a "4-on, 2-off" schedule system, officers effectively work 208 fewer hours than they would under a standard 40-hour per week schedule. That amounts to 26 fewer days of schedulable time per year, per officer.

Extrapolated to the City's entire sworn officer workforce, the PBA's "4-on, 2-off" schedule results in approximately 101,000 additional hours that must be covered per year, or the equivalent of approximately 48 full-time officers. Converting to a standard full-time "5-on, 2-off" schedule for officers would save the City approximately $8.4 million on a recurring basis; alternatively, it would enable the City to enhance its current police staffing levels by 48 FTE officers while still remaining within its current cost envelope.

Like many departments, YPD uses a three-shift schedule with essentially the same staffing on each shift. There is a slight increase in the afternoons and also when special units – such as the traffic unit – are on duty. However, a more efficient model would be to stagger the shifts in response to historical demands for service to even out the number of officers available per event.

The Department could also look at the number of two-officer cars that are used to fill out the patrol pattern. Currently, one precinct uses single-officer cars on a regular basis. If that number of single officer units was expanded, the police vehicle patrol presence could remain while allowing for a redeployment of staff.

Yonkers maintains a walk-in lobby at each of its four precinct stations and staffs them at all times. Given the small geographic size of the City, the availability of transportation, and the prevalence of telephones, the need for and level of this walk-in service could be evaluated. Before a change in this service is undertaken, an evaluation of the nature, frequency, times of walk-in visits should be done. It may be feasible to close several of the lobbies for periods of time, such as the overnights, when there is likely little walk-in traffic. This would allow for redeployment of staff.

The precinct lobbies are staffed only by sworn officers on full duty because of past practice and concerns of potential risks. An evaluation by department leadership indicates that if the lobby positions were “hardened” with bullet-resistant glass and reinforced walls, they could be staffed by officers that are not on full duty. There are almost always several officers that are on light duty (because of injury) that could be assigned to lobby duty if the positions were hardened. This would lead to a reduction in overtime by shifting a full-duty officer to the road. A rough cost estimate for this type of renovation is $250,000 per lobby, and it could pay for itself with a reduction in overtime in two years or less.

The Yonkers PD has about 82 full-time civilian employees. This accounts for roughly 12 percent of the Department’s workforce. When compared to seven other cities in New York, this is the second-lowest percentage (with a range of 5 percent to 27 percent), and below the average of 17 percent. This rough measurement highlights the potential that sworn police officers are performing work that could be done by civilian staff at a lower cost to the City. Potential areas for expanded civilian employees include the records unit, fleet services unit and planning unit. Additionally, the practice of having a sworn lieutenant supervising activities in the communications center should be evaluated if Yonkers does not move forward with the dispatch consolidation discussed elsewhere in this report.

The potential efficiencies from a restructured Police Department would depend on the specific actions taken. As a frame of reference, the cost of a single 24-hour patrol post is about $1.1 million. A civilian employee has a lower annual cost than a sworn officer by at least one-third. For every position transitioned to a civilian from a sworn staff, there could be recurring savings of about $75,000 per year excluding fringe benefits.

The “hardening” of one or more the precinct lobbies represents a one-time investment in infrastructure that could yield savings for the City as light duty officers could replace full-duty officers at the lobby positions, allowing the full-duty officers to return to regular patrol.

The specifics of any changes to police services that wish to be locally pursued must be carefully developed to ensure that it meets the operational and fiscal needs of Yonkers.

Fire Resource Utilization

The Yonkers Fire Department represents a relatively large share of the City workforce and is one of its most expensive departments. While a complete analysis of fire resources requires greater detail than can be accomplished in this report, some high-level comparisons can be made using operational and financial data in comparison to peer cities.

Compared to its peer cities in New York State, Yonkers has relatively high numbers of fire stations and suppression companies per square mile. However, because of the density of population, it also has the lowest ratio of engines and stations per 1,000 residents. The number of fire-related calls is relatively low on both a population (33 calls per 1,000 residents) and unit basis (372 average non-EMS calls per company) compared to peers.

Like several of its peers, Yonkers is at the best rating for fire protection (scoring a 1 on a 1-to-9 scale) according to the Insurance Service Organization. However, some of those peer departments maintain this rating with busier companies and fewer stations per square mile.

The pay for firefighters at all ranks is higher in Yonkers that its peers. As noted later in this segment, on a per-person average in each of the police and fire departments, Yonkers staff averages close to 30 percent higher in salary than staff employed by the City of New Rochelle, located less than 10 miles to the east of Yonkers.

Yonkers is the only one of the peer departments to have minimum shift size included in its collective bargaining agreement, and the only one to have an “unlimited” sick time benefit.

The collective bargaining agreement between the City of Yonkers and Yonkers Firefighters, IAFF Local 628 provides for a 9-day alternating schedule as follows: Two 10-hour days, followed by two days off, two 14-hour nights, followed by three days off. The cycle is repeated throughout the year. This results in a work week that is about 37.5 hours on average. This is the lowest number of hours among comparable city fire departments in New York, where most work 40 to 42 hours per week.

The current schedule format has the effect of increasing the size of the required workforce beyond what it would otherwise need to be. This is because under the current format, firefighters effectively work 126 fewer hours than they would under a standard 40-hour schedule. That amounts to 10.5 fewer days of schedulable time per year, per firefighter (assuming an average shift length of 12 hours). Most departments that run 24-hour shifts use an 8-day cycle with one day on and three days off. Further, departments that run a 10/14 schedule also operate on an 8-day cycle with one on and one off every other day.

Extrapolated to the City’s entire firefighter workforce, the schedule format results in approximately 40,500 additional hours that must be covered per year, or the equivalent of approximately 20 full-time firefighters. Converting to a model that was at least forty hours would save the City approximately $3.5 million on a recurring basis; alternatively, it would enable the City to enhance its current fire staffing levels by 20 FTE firefighters while remaining within its current cost envelope. Such additional flexibility would reduce pressure on overtime costs, which in the Firefighting Division alone have routinely exceeded $10 million in recent years.

Evaluating the effectiveness of a fire service operation requires a comprehensive consideration of the community’s needs, desired service level and ability to pay for the service. Additionally, the evaluation should consider the availability of resources (including specialty units) from neighboring communities that could be used in the rare circumstance that the units’ capabilities are needed.

The potential efficiencies gained from a restructured Fire Department would depend on the specific actions taken. As a frame of reference, however, consider that an average firefighter position costs about $235,000 annually. If a single line fire company with 18 firefighters were phased out, Yonkers would see annual savings of about $4.2 million.

The specifics of any changes to fire services that wish to be locally pursued must be carefully developed to ensure that it meets the operational and fiscal needs of Yonkers.

Solid Waste Enterprise Fund

The City of Yonkers handles solid waste and recycling as a municipal function, with City employees and equipment. The service collects and disposes of more than 300 million pounds of refuse per year from homes, apartment complexes, municipal housing complexes, public schools, municipal buildings, condominiums, cooperative units and nonprofit organizations.

Collection is handled through the Environmental Services Division of the Department of Public Works; disposal is overseen by the Refuse Disposal Division of DPW. The Disposal Division is responsible for transportation and disposal of all solid waste, recycling, refuse and debris material, as well as administration of the refuse disposal facility and recycling center on Saw Mill River Road.

Refuse / recycling services are currently provided for through the City's General Fund, in two separate cost centers. Collection has a current-year budget of $10 million, while disposal is budgeted at nearly $4.5 million. Together, this $14.5 million cost is supported through the General Fund and property tax levy.

To put this in perspective, the $14.5 million refuse and recycling cost represents approximately 11 percent of the City's tax levy (excluding the School District share) in the current fiscal year, even before fringe benefit costs are counted for the 122 employees that support the collection and disposal divisions. As noted earlier in this report, the City is already close to its Constitutional taxing limit, and the recent four-year financial plan projected a potential increase heading toward 98 percent by 2022.

Exacerbating the tax margin issue is the fact that not every property within the City is taxable, meaning not every property is funding the solid waste service. Within Yonkers, those properties not paying for the service (or paying less than their full taxable valuation would have them pay) include nonprofits and tax-abated properties.

Shifting to an enterprise fund-based approach for its solid waste function would help to address both issues. First, it would remove the collection and disposal costs from the general tax levy. All else being equal, this would increase the City's current remaining Constitutional Taxing Margin by more than 50 percent by adding $14.5 million to the current $27 million in capacity. Second, it would result in certain tax-exempt properties being required to pay for the service they utilize.

Converting to a fee-based enterprise fund approach would not necessarily impact the current cost structure of the City's collection or disposal services. What it currently provides would remain the same – both in terms of expenditure and service level. What it would do, however, is the following:

1. Ensure that every property that is receiving refuse and recycling service is paying equitably for them, and
2. Shift the $14.5 million cost off of City's general property tax levy, creating essential breathing room under the Constitutional taxing margin.

This funding framework could be established by the City Council and with approval of the Mayor. There would be political challenges, of course, as nonprofits and otherwise tax-exempt properties that do not currently fund the service would be required to contribute going forward. For non-exempt properties, however, costs currently paid through their general property tax would be paid through a user fee. Although the cost of the service is currently borne by taxpayers, it is in a sense “hidden” in the general property tax – shifting to a fee-based enterprise fund would make it more visible.

In addition, the requirements of the Fiscal Agent Act may constrain the City’s ability to recognize budget revenue from a new enterprise fee in a timely manner and to reduce its existing General Fund appropriation for solid waste collection and disposal. Per the Act, the City typically cannot budget revenue it has yet to receive, which would likely require it to maintain the existing budget line for solid waste. A year-long delay in recognizing revenue and eliminating the existing appropriation may limit the incentive for the City Council and other City leaders to pursue this course of action.

Prior to adopting this framework, however, the City should first seek to implement other recommended and achievable efficiencies that could generate savings, which could mitigate the need to raise revenue through a new fee-based system.

Property Reassessment

The City has not conducted a full reassessment since 1954. A 65-year-old assessment would not reflect current market conditions in any part of the state, but especially so in Westchester County, where values reflect the County’s close proximity to the New York City real estate market. The State Office of Real Property Tax Services set the City’s 2018 equalization rate at 2.45, which indicates property in Yonkers is assessed overall at 2.45 percent of market value. Its 2019 Residential Assessment Ratio, which indicates the level of assessment for residential real property, is similarly low, at 2.09.

There are potential equity, and real financial implications to Yonkers’ outdated assessments. Regarding equity, the lack of a recent citywide revaluation has the potential to mask shifts that have occurred in properties’ true market value, both across different sections of the City and across property categories (e.g. residential vs. commercial). To the extent this has occurred, it has the effect of inequitably distributing the City’s tax burden on property owners. Assessments may undervalue certain portions of the City (or types of property), while others may be over-assessed; property owners’ tax bills would reflect the underlying inaccuracy in either case.

Tax Cert Cases by FY	
2010	436
2011	491
2012	503
2013	347
2014	399
2015	517
2016	474
2017	437
2018	447
2019	442

Of greater relevance, however, may be the fiscal implications. Every year, hundreds of Yonkers property owners challenge their assessments, generating significant cost to the City. Since the 2010 tax year, the City has faced nearly 4,500 tax certiorari claims – an average of 450 annually.

The costs to the City to settle or pay judgments for these claims have been significant, and these retroactive claim payments essentially reduce the levy and/or bottom line net revenue for the year. And because the size of the obligation outstrips the City’s limited operating budget capacity, Yonkers has chosen to issue debt instead. Between 2009 and 2018, the City issued $84.7 million in bonds and bond anticipation notes for this purpose. The most recent issuance was a $12.7 million BAN in 2018, notable in that for the first time it did not use tax-exempt bonds.

The City has noted in its annual budgets that overall assessed values are declining as a result of successful tax certiorari claims, including many from large commercial property owners. Since fiscal 2010, the City's total assessed value (not true market value) has decreased 4 percent, from $489.1 million to $469.8 million in fiscal 2019.

Bond Series	
2009B	$ 14,800,000
2011A BAN	$ 2,000,000
2011A	$ 20,000,000
2013B BAN	$ 7,065,000
2014C	$ 8,500,000
2015E	$ 6,600,000
2016A	$ 7,000,000
2017 BAN	$ 6,000,000
2018B BAN	$ 12,700,000
Total	**$ 84,665,000**

In its annual budget reviews and periodic audits, the State Comptroller's Office has criticized the City's practice of borrowing to pay tax certiorari claims, describing the settlements as a recurring expenditure that the City should include in its operating budget rather than incurring debt and interest costs. In response, the City has acknowledged that while this practice is not preferable, it is permitted under State Finance Law. Lacking an alternative revenue source, the City plans to continue to consider borrowing as an option to pay this expense.

For context, it is important to note that revaluation can be a very sensitive subject in Westchester County, which already has some of the highest average annual property taxes in the nation. Yonkers also is not the only municipality in the County with older assessment data. Since 2014, several Westchester County communities have conducted their first revaluations in one or two generations; others still have decades-old assessments on the books.

In addition to facing potential opposition from property owners, the revaluation process can be costly. Yonkers joined the towns of Greenburgh and Ossining in 2014 to contract a private firm to conduct full revaluations in all three communities at a total cost of about $9 million. The towns proceeded with the revaluation, while Yonkers did not. That said, Yonkers' 2019 adopted capital budget included $6 million for a revaluation process.

The City would gain significant benefit from a citywide revaluation of all properties (and across all categories). The dated nature of the City's property data prevents assessments from being kept accurate through regular updates. A full revaluation would provide the City with a "fresh start" for managing and projecting trends within its taxable assessed valuation. On the one hand, it would ensure that property owners are being taxed fairly and equitably based on the true value of their property, and that none were being unfairly punished as a function of old data. This would almost certainly enable the City to add to its taxable base. This would not necessarily increase its revenues (nor increase property taxes across the board), since a revaluation does not impact the tax levy. However, additional taxable value in the base would create more revenue potential for the City even if it chooses to leave tax rates flat and provide more capacity within its Constitutional taxing limit.

At the same time, updated valuations would alleviate some of the pressure the City has faced (and continues to face) addressing tax certiorari challenges from property owners. This would reduce overall tax cert payments, decreasing the need to borrow and saving the City debt financing costs going forward. Reducing the number of cert claims and their associated cost could make it easier for the City to incorporate a smaller and more predictable expense into its operating budget and significantly reduce or eliminate the costs of annual borrowing.

The City has estimated that a revaluation could reduce the annual cost of successful tax certiorari challenges by upwards of 50 percent. Since 2009, Yonkers has spent an average $9.4 million annually to settle certiorari claims; savings of 50 percent would reduce this cost by $4.7 million per year, which is likely a conservative estimate, particularly considering that peer cities like Buffalo and Rochester budget significantly less. Savings would be offset slightly by the ongoing cost of monitoring and updating assessment data, which was recently estimated by the City at $356,000 per year. It also could take a number of years to resolve challenges resulting from a reassessment before the City could realize substantial savings. As an added benefit, however, reducing certiorari claims also could slow or reverse the City's loss of overall assessed value.

If the City was able to incorporate certiorari settlement costs into its operating budget (which would be considerably easier if those costs were lower than current levels), it would also save on borrowing costs. The City has estimated savings of $1 million in debt service payments per year in this scenario. This is in part because under the state's Local Finance Law, maturity dates depend on the amount the City borrows for tax certiorari payments as a percentage of the overall tax levy. The larger the percentage of the tax levy the City borrows for this purpose, the later the maturity date. In a special ordinance approving borrowing for tax certiorari purposes in June 2018, the Yonkers City Council noted the maximum maturity date can range from 5 to 20 years. Also complicating any specific estimate of borrowing savings is that bonding for tax certiorari claims is typically included as part of larger bond issuances for multiple purposes.

There are political challenges to implementing a full revaluation, which is among the reasons why Yonkers has been unable to move its process forward despite support from the current Administration. The largest involves the concern that any revaluation will result in assessments that redistribute the property tax burden among property owners in the City, such that some tax levels will go up while others will go down. However, to the extent that a revaluation results in assessments that are truer to market value, the outcome (tax shift or not) will produce a system that is fairer and more equitable that the one currently in place.

Amid controversy over their revaluations, Greenburgh and Ossining officials obtained approval from the Legislature and Governor for a three-year phase-in of assessment increases above 25 percent for owners of single, two- and three-family homes. While this affected relatively few property owners, it may have helped to soften the impact on those most affected and signaled that the towns were receptive to residents' concerns. Yonkers may wish to consider exploring similar legislation on the front end of a revaluation process.

There is also the issue of a revaluation's up-front cost. As noted, the City has included $6 million in its approved capital budget for the current year. Per the Finance Department, the City still has the option (until April 2020) to proceed with revaluation under the original 2014 contract it jointly bid with Greenburgh and Ossining.

It should be noted that a reassessment could also trigger a short-term increase in assessment challenges, and with it, increased short-term costs to the City to process and settle claims. That uptick, however, would be expected to decline in subsequent years. Anecdotally, this was the experience in the Town of Ossining, one of two municipalities with which Yonkers originally planned a revaluation in 2014. Ossining went forward with its revaluation, and new tax rolls went into effect in 2016. Compared to 2015, the number of tax certiorari claims increased 71.7 percent in 2016, from 364 to 625, according to the Town Assessor. The 2016 figure represented grievances for 6.2 percent of all tax parcels in Ossining, compared to 3.6 percent in 2015. But certiorari claims then decreased in 2017, to 590, and in 2018, to 449. While exact figures were not readily available, the Town's costs for tax certiorari judgments declined significantly after the reassessment, according to the Town Assessor.

Recommendation: The Board further recommends that the City continue to implement additional efficiency actions that will lower the annual cost of providing specific services.

Workforce

Health Insurance Opt-Out Benefits

The City already offers most employees a health insurance opt-out payment as an incentive to secure their medical coverage through another source (e.g. a spouse or partner). Per the City's Department of Human Resources, all unions are eligible for an opt-out payment of $3,000 per year (with the lone exception of the Uniformed Fire Officers Association, which does not have an opt-out provision in its contract). The opt-out amount is roughly the equivalent of 24 percent of the individual NYSHIP plan premium and 10 percent of the family NYSHIP plan premium.

Opt-out provisions vary somewhat for School District employees. The teachers' contract provides an incentive for members that are eligible and enrolled in the District's plan to withdraw from it – $2,500 for those who withdraw from an individual plan and $5,000 for those who withdraw from a family plan. This benefit, which gets paid at the end of the year, is paid annually each year subsequent to the employee withdrawing from the plan.

Notably, the teachers' contract also provides for the following: "Effective November 1, 2001, new hires shall not be eligible for health insurance coverage by the District if they are eligible for substantially equivalent coverage under another plan. New hires who may have to pay to participate in such plan are still deemed eligible to participate and will not be covered by the District plan. Upon submission of satisfactory proof that such contributions are required, such unit members shall be entitled to an annual payment while such contributions are still required. The amount of such payment shall be equal to the actual cost to the spouse but shall not exceed 50% of the District's cost for family coverage."

There may be an opportunity for the City to explore increasing its opt-out benefit level in order to incentivize additional employees to secure medical coverage through a spouse or partner's employer. To the extent employees that are currently enrolled in the City's health insurance plans opt out, an increased opt-out benefit may result in greater overall savings. There is risk, however. In the event no currently-enrolled employees opt out, or too few currently-enrolled employees opt-out, the City would end up facing additional incentive costs to the existing pool of employees who have opted out, without savings sufficient to offset the investment.

To mitigate this risk while still exploring the potential financial benefit, the City may consider "tiering" the benefit amount to ensure savings – e.g. if 250 employees opt-out, the individual benefit is X; if 400 employees opt-out, the individual benefit increases to Y; if 500 or more employees opt-out, the individual benefit further increases to Z. This way, there is an opportunity for both the employee and the City to benefit.

Lower Tier Health Insurance Plan Option for Less Intensive Users

As noted earlier in this report, all unionized employees pay a percentage of monthly premium costs for health care coverage. Given the relatively high annual premium costs for the City's plans – approximately $12,000 for individuals and $28,000 for families (as of FY2019) – a 35 or 50 percent premium contribution for a first-year employee is a material amount. For this reason, the City and its bargaining units might consider exploring a lower-cost health plan option alongside the existing plans, which might be more attractive to new hires and less intensive users. Such an approach might provide cost relief both for employees and the City.

Workforce Turnover and Health Benefits

The current age and retirement eligibility of the City's workforce indicates the potential for material employee turnover over the next decade, particularly in departments with higher-cost bargaining units like police and fire. Based on current data, the attrition rate appears poised to accelerate over the next three years, as roughly one-third or more of current employees in both departments become retirement-eligible. Paired with the expiration of contracts with all City and school district bargaining units at the end of fiscal 2021, this presents a rare opportunity for the City to reexamine and renegotiate particularly costly contract provisions and achieve measurable savings in the near term.

The City reported 1,926 employees as of October 2018. More than half (1,027, or 53.3 percent) are members of the four collective bargaining units that represent uniformed police and firefighters (the Police Benevolent Association; the [Police] Captains, Lieutenants and Sergeants Benevolent Association; Firefighters IAFF Local 628; and the Uniformed Fire Officers Association). The total employee count in the City's three largest departments – police, fire and public works – accounts for nearly two-thirds (65.6 percent) of the overall workforce.

An analysis of work tenure shows that one in four firefighters and fire officers are currently retirement-eligible; the number in police is one in five. Over the next three years, that figure will rise to 39 percent for fire and 32 percent for police. By 2026, approximately half the current workforce in both departments will be retirement-eligible (or will have already retired). About one in five public works employees will be retirement-eligible within 2 years, but this percentage is expected to remain relatively flat for several years before rising again in 2027 and 2029.

Similar turnover is possible within the teacher's union, the School District's largest bargaining unit, where the average number of years of service is approximately 15.2 and the average age is 46.1. Presently, 18 percent of the workforce is eligible to retire (subject to the provisions of the Teachers Retirement System tier they happen to be in). That figure will grow to 21 percent in one year, 26 percent in three years, and 33 percent in five years.

The pending turnover that the City will likely experience in its police, fire and public works workforces over the next decade offers an opportunity to negotiate on specific contractual cost drivers. Even if those negotiations are forward-looking in that they hold current employees "harmless," this may be an opportune time to invest in efficiencies that will begin paying off in the relatively near term as the current workforce continues to turn over. The simultaneous expiration of collective bargaining agreements also offers the City an opportunity to pursue changes in contract provisions across multiple bargaining units.

One of the most obvious opportunities to leverage workforce turnover involves restructuring employee cost sharing on health insurance. City employees generally are required to make a contribution toward their premium cost, but the level of contribution varies. In general, new hires for all City bargaining units are expected to contribute at least 20 percent of the premium cost for an individual health plan or 10 percent for family coverage.

Although there has been some restructuring for health insurance benefits, additional options are available – both regarding current employees and future hires. Savings achieved will be largely dependent on the specific contractual provisions the City and its bargaining units may negotiate.

If increased health insurance contributions for active employees were agreed to, the City would realize significant financial relief on an immediate and recurring basis.

- Increasing all City bargaining units to the 15 percent family / 25 percent individual contribution level currently applied to AFSCME Local 1897 members, while keeping in place the provision that newly-hired police and firefighters pay higher rates that decrease over time, would save the City approximately $2.4 million per year at current premium costs. For context, the total cost of insurance for City employees (including health, dental and life) is budgeted at $69.2 million this fiscal year.
- Shifting Teamsters 456 employees (only) to 15 percent / 25 percent contribution rates would yield savings of about $880,000 per year. A similar shift for police and fire employees, while keeping any higher rates paid under the sliding scale system in place, would yield an estimated $872,000 in annual savings. Eliminating the sliding scale and moving all police and fire employees to the same 15 percent / 25 percent contribution rate would yield approximately $406,000 in annual savings.
- If City employees contributed at percentage rates commensurate with what New York State employees at Grade 10 and above pay toward their own individual and dependent coverage (via the New York State Health Insurance Plan) – 16 percent and 31 percent, respectively – the City would realize savings of approximately $6.7 million.
- Changing school employee contribution levels to match the current percentages for most new City hires (10 percent for a family plan and 20 percent for individual coverage) would yield significant savings. This change for district teachers, school psychologists, social workers, guidance counselors, and occupational and physical therapists would yield approximately $2 million in annual savings. Notably, this would represent a savings of 5 percentage points for those teachers who currently pay $1,600 per year for family coverage under the State health plan, which represents about 15 percent of the current premium cost.
- Shifting the same group of District employees to contribution rates of 15 percent for family coverage and 25 percent for individual coverage would save approximately $3.7 million per year. Teachers who currently pay $1,600 for family coverage would see no change in cost under current premiums.

The turnover of the City and District workforces – particularly among police, fire, public works and teachers – offers an opportunity to generate near-term and recurring savings by adopting higher contribution tiers for new hires.

- If 20 percent of the existing police and fire workforce retired, split evenly between employees who have individual plans (now paying 20 percent of the premium) and employees who have family plans (paying 10 percent). If new hires paid higher contribution rates of 25 percent and 15 percent, respectively, this would yield approximately $180,000 in annual savings.
- If 10 percent of teachers who currently pay a fixed contribution of $800 per year for individual coverage (about 6.6 percent of the current premium cost) were to retire, and

their replacements instead paid 25 percent, this would result in approximately $330,000 in annual savings.

As with any contractual change, the City and the unions must ensure that the agreement provides appropriate benefits that can be afforded by the City's residents.

Sick Leave and Other Contractual Provisions

Along with restructuring health insurance benefits, the upcoming round of negotiations may provide opportunities to restructure sick leave and other contractual provisions.

Agreements with the four public safety bargaining units entitle members to unlimited sick leave. Other bargaining units typically accrue one day of sick leave for each month of work completed – in some cases, only after a probationary or introductory period subsequent to hiring. Most non-public safety City employees can accumulate up to 180 sick days. Teachers and school administrators receive 12 days of sick leave at the beginning of each school year and may accumulate up to 300 days. By comparison, State employees can accumulate up to 200 days.

Several contracts, including AFSCME Local 1897 and SEIU Local 704, contain provisions allowing departments to designate a physician to examine employees who demonstrate a pattern of sick leave use or abuse.

The fire contract includes detailed provisions for review of employees' sick leave for non-job-related illnesses. Firefighters who miss more than two tours while on sick leave may be required to visit the department surgeon (at department expense) or a private physician (at the employee's expense), who will determine the employee's fitness for duty. Any firefighter who calls out on sick leave without a documented medical condition for three weekends, three holidays, or eight tours during a consecutive six-month period may be placed in a sick leave review program. During this four-month period, the firefighter is not eligible for overtime, and any additional sick leave is subject to review by the deputy chief for personnel. Afterward, however, the Department is expected to calculate any increase in average overtime for all firefighters during the sick leave review period and compensate the employee accordingly (typically with first offers of additional overtime).

Employee agreements in some cases provide incentives to minimize use of sick time. For example, police who use fewer than five sick days during a six-month period can be paid for each unused sick day, up to a maximum of five. Members who use no sick days for a calendar year are entitled to four hours pay at the highest hourly rate in addition to base sick leave incentive pay. Firefighters who work the entire year without using sick time will be paid for unused sick days up to a maximum of 11 days.

Vacation provisions vary among bargaining units. SEIU Local 704 employees who work 8-hour days earn between 5 and 8.3 hours of vacation time per pay period (24 per year), depending on length of service. AFSCME Local 1897 members who work 8-hour days earn between 4.6 and 7.7 hours per pay period, with similar tiers based on longevity. Police officers are entitled to 15 days a year following their first full calendar year of employment; 20 days after their second year; 22 days after their third; and 25 days after their fourth. Firefighters earn 19 days of vacation per year.

Teachers with 10 or more years of consecutive service payment for unused sick days upon retirement. Eligible retirees can receive $20 per day for the first 50 days, $40 per day for days 51 to 100, $60 per day for 101-150, $80 per day for days 151-200, $100 per day for 201-250 and $120 per day for days 251-300. Members of the CSEA unit of School District employees also can receive service credit for unused sick days at retirement, with a maximum of 165 days.

Upon retirement or resignation, firefighters receive payment for unused vacation days earned during the preceding calendar year. The police contract does not appear to directly address vacation payouts. SEIU Local 704 and AFSCME Local 1894 members can be paid for a maximum of 385 vacation hours upon retirement if they worked a 7-hour shift schedule, or 440 hours if they worked an 8-hour shift schedule. The City offers a vacation buyout for some union members to annually convert up to 10 hours of accrued leave into cash payments. By comparison, State employees can be paid for a maximum of 225 hours of unused vacation time upon retirement.

Generally, City employees who complete 20 years of service also will receive 30 work days' pay in cash, known as "terminal leave," plus 1½ additional work days' pay for each year above 20. No such benefit exists for State employees.

The police and fire contracts also include detailed procedures for leave and benefits related to work-related illness or injury pursuant to section 207-c and 207-a of state General Municipal Law, respectively. These procedures include very specific leave and process requirements, which can create staffing challenges and increase costs.

Impact of Leave and Other Contractual Provisions

Notable collective bargaining provisions affect the City's ability to deploy its workforce. In addition to the "unlimited" sick leave and 207-a/207-c provisions, minimum staffing requirements for police and fire impact the cost structure for providing these services.

In both departments this year, overtime costs are budgeted at approximately 21.2 percent of base salary costs. Over the past four years combined, the City has spent more than $100 million on police and fire overtime costs. The current year overtime budget in both departments translates to over $25,000 per employee.

Police and Fire Overtime Costs

	Actual						Adopted	
	2012	2013	2014	2015	2016	2017	2018	2019
Fire	$9,103,331	$12,127,782	$9,615,882	$9,003,511	$11,003,981	$11,541,291	$10,541,171	$10,962,818
Police	$12,629,397	$11,090,178	$12,590,711	$15,565,294	$15,703,256	$17,596,759	$14,990,000	$16,102,312
Total	**$21,732,728**	**$23,217,960**	**$22,206,593**	**$24,568,805**	**$26,707,237**	**$29,138,050**	**$25,531,171**	**$27,065,130**

Share of Police Overtime	
Extra Shift	37%
Extended Shift	26%
Events	11%
Court Time	8%
Recall	8%
Grants	5%
Civillian	5%

The Police Department estimates that extra shifts to provide adequate staffing account for the largest share of police overtime – approximately $4.5 million per year. The Department reports that this number has dropped in recent years as they have paid greater attention to it and begun tracking it using an improved database. Some of the "extra shift" overtime is attributed to officers either sick or injured from work activities. The rate of at-work injuries remains a concern for the Department, both for the welfare of officers and the need it creates to fill open shifts. On any given day, about a dozen police officers are out due to long-term on-duty injury covered under 207-c. The Police Department has instituted a cap of 40 hours on the amount of overtime that any individual can earn in a pay period. While this has helped slightly reduce the amount spent by the Department on overtime, the issue remains a substantial challenge.

In the Fire Department, a minimum staffing threshold likely amplifies the impact of excessive time off allocations through the need to "overschedule" personnel levels each shift to ensure adequate coverage and through the need to call in firefighters on overtime in cases where the number of reporting personnel is insufficient to meet the minimum level.

An analysis of overtime utilization data for the Fire Department covering the period December 2017 through May 2018 found that line-of-duty injury replacement represented the largest source of overtime, accounting for more than 60 percent of all overtime hours. Coverage for sick employees accounted for about 13 percent. Other contributing factors were vacations and personal leaves (about 20 percent, with spikes near holidays) and end-of-tour responses and coverage at about 5 percent. There was a notable drop in overtime hours when there was a group of firefighters hired in early 2018, which indicates that the new firefighters were assigned to shifts that were previously covered through overtime. This is likely due to the fact that the increased pool of schedulable firefighters provided the City additional flexibility to meet minimum staffing requirements without needing to use as much overtime.

Through productivity incentives and other work practices added to collective bargaining agreements in recent years, the City has sought to limit some of the factors driving overtime costs in police and fire. Still, additional opportunity exists.

In the 154-day period of overtime data reviewed for the Fire Department, more than 24,000 hours of overtime were utilized just to offset line-of-duty injuries, sick leave, and personal leave. That roughly translates to 13 full-time equivalent firefighters. Annualized, that is nearly 31 FTE firefighters, or more than $5 million in personnel. Restructuring allocations of time off would position the City to better deploy these essential personnel and mitigate the need to backfill with overtime.

There is also an opportunity to better identify and mitigate the risks for on-duty injury, especially given the extent to which that drives overtime needs in both departments. The rate and severity of injury were not analyzed in detail as part of this review, but anecdotes shared with Board staff indicate that there may be potential to reduce risks of injury through work practice controls. For example, if eye injuries occurring during the overhaul of burned structures are frequent, then mandated use of goggles during that activity may lead to fewer injuries.

Finally, the negotiations could explore adjusting incentives regarding utilization of paid time off. The existing incentive structure pales in comparison to the monetary value of available overtime. Incentives to reduce the need for overtime may need to better approach in value the current benefit the public safety workforces receive through overtime.

Given their impact on the City's cost structure, restructuring sick leave and other contractual provisions could be considered in upcoming collective bargaining negotiations. As with any contractual change, the City and the unions must ensure that the agreement provides appropriate benefits that can be afforded by the City's residents.

Yonkers' Teacher Salary Schedules

Salary costs account for $305.8 million (49.7 percent) of the Yonkers Public School budget. Teachers represent the largest single employee group in the District, with 1,633 full-time equivalents (50.3 percent of the total workforce). In terms of represented employees, the Yonkers Federation of Teachers (YFT) represents more District employees (1,808) than the other six units combined.

YFT members are currently operating under a Memorandum of Agreement that runs through June 30, 2021. Signed on December 28, 2016, the extension provided for salary increases of 0 percent in 2014-15 and 2015-16, followed by 3 percent in 2016-17, 2.5 percent in 2017-18, 2.5 percent in 2018-19, 3.5 percent in 2019-20 and 3 percent in 2020-21. Further, it expanded the salary schedule by adding a 16th step to the previous 15-step framework. It also increased longevity payments.

An analysis of Yonkers' teacher salary schedule to those in the 8 districts that are contiguous to the City finds the following:

- Yonkers has more horizontal salary steps (12) than any other teacher contract among contiguous districts. The current YFT schedule includes twelve horizontal steps: Bachelors, Bachelors plus 15 credits toward a Masters degree, Bachelors plus 30 credits, Bachelors plus 45 credits, Bachelors plus 60 credits, Bachelors plus 75 credits, Masters, Masters plus 15 credits, Masters plus 30 credits, Masters plus 45 credits, Masters plus 60 credits, and Ph.D. The presence of more horizontal steps creates greater pay differentiation opportunities and drives higher cost.
- Yonkers has a higher starting salary at BA/Step 1 than all but one of the contiguous districts, 9 percent above the mean and 11 percent higher than the median.
- Yonkers has a higher salary at MA/Step 1 than all but one contiguous district, 5 percent above the mean and 6 percent higher than the median.
- Masters-level teachers reach salaries of $100,000 faster in Yonkers than all but one of the contiguous districts.
- At nearly every salary step and grade, Yonkers' salary schedule provides for the highest or second-highest compensation level among the contiguous districts. The Edgemont School District, which incorporates many of the wealthiest individuals in the County is the only district that outpaces Yonkers' early pay (slightly).

Establishing a new salary schedule for future teachers – one that is more in line with those of peer districts in the region – would provide some cost relief for Yonkers Public Schools and the City. Applying it on a going forward basis would ensure that no current teacher experiences a reduction in their own salary but would begin introducing a compensation framework more aligned with surrounding district teacher unions.

A revised salary schedule could focus on several items. First is reducing the number of horizontal salary grades, focusing more on "threshold" degrees and educational steps as opposed to awarding raises for incremental educational progress beyond the Bachelors degree. Compressing to a maximum of 3 grades at the Bachelors level especially would bring the YFT contract more in line with its regional peers. Second is reducing the starting salary for new hires to a level more in line with regional averages. And third is increasing the amount of time required for new teachers to reach a salary of $100,000.

Bachelors Level, Year One Salary Grades						
	BA	BA+15	BA+30	BA+45	BA+60	BA+75
Yonkers	$64,407	$66,405	$68,397	$70,384	$72,374	$74,362
Ardsley	$55,612	$55,612	$0	$0	$0	$0
Bronxville	$57,484	$59,942	$0	$0	$0	$0
Eastchester	$58,157	$0	$0	$0	$0	$0
Edgemont	$65,372	$67,028	$0	$0	$0	$0
Hastings-on-Hudson	$55,428	$56,705	$59,267	$0	$0	$0
Mt. Vernon	$55,809	$56,393	$59,559	$0	$0	$0
Scarsdale	$61,198	$0	$0	$0	$0	$0
Tuckahoe UFSD	$57,854	$0	$0	$0	$0	$0

The potential impact of a salary schedule for new teachers is dependent on the rate at which the YFT workforce turns over (i.e., retirement and other natural attrition giving way to new hires), the educational level of future hires, and the actual salary schedule adopted.

To assess potential impact, consider that over the past four years the Yonkers Public Schools have hired an average of nearly 100 new teachers to backfill staff lost to retirement and other natural attrition. (The actual figure has ranged from 67 to 149). For every 100 new Bachelors-level teaching staff hired under a new salary schedule that is fixed to the regional median and compressed to three salary grades (i.e. BA, BA+15 and BA+30), YPS would realize savings of $1 million in the first year alone. Over the course of the four-year plan it enables savings of over $4.1 million.

Bachelors Level, Year One Salary Grades	
	Savings
75 teachers / yr	$773,942
100 teachers / yr	$1,031,923
125 teachers / yr	$1,289,903

Salary schedules are a mandatorily negotiable item, and as such any change to the current schedule is subject to collective bargaining between the School District and Yonkers Federation of Teachers. The YFT is presently operating under an agreement that runs through June 30, 2021. As with any contractual change, the School District and the unions must ensure that the agreement provides appropriate compensation that can be afforded by the City's residents.

Recommendation: The Board recommends that the City seek labor and healthcare efficiencies.

Fiscal Performance and Accountability

Prior and Current State Oversight

The State has imposed a fiscal control board upon Yonkers twice before. The New York State Emergency Financial Control Board was first established in 1975 and empowered with approval responsibilities for the City's financial plan, contracts and borrowing. It disbanded three years later in 1978, citing the City's fiscal progress. In 1984, a Board was re-imposed as the City and School District faced significant projected deficits of $40 million and $12 million, respectively. Moreover, the Board of Education had threatened to shut the school system unless the City provided additional funding. As part of the emergency statute creating the Board, the State provided the City with a $9 million loan to alleviate the near-term crisis. This Board iteration lasted longer, concluding its work in 1998, having determined that the City satisfied its emergency period termination requirements.

Since Yonkers' second Board was disbanded, several other boards have been established elsewhere by the State to address municipal fiscal emergencies. The Nassau County Interim Finance Authority was created in 2000 (Chapter 179); the Buffalo Fiscal Stability Authority in 2003 (Chapter 122); and the Erie County Fiscal Stability Authority in 2005 (Chapter 182).

While the City is not currently under the purview of a control board, it is worth noting that the requirements of the Fiscal Agent Act (as discussed earlier in this report) parallel those of recent control boards, to some degree. In particular, the Act requires the State Comptroller's Office to review and approve the City's budget each year, as well as manage the City's debt service fund. As part of that process, the City is required to abide by certain acceptability guidelines on revenues (no more than the amounts received in the prior two years) and expenditures (no less than the amounts appropriated or spent in the prior two years). While similar in some respects, there are also notable differences, including the ability of the Nassau County, Buffalo, and Erie County control boards to impose a wage freeze and restructure debt.

The imposition of a control board can have significant implications in operations, governance, and finances. Accordingly, any consideration of restructuring oversight in Yonkers warrants extensive and careful deliberation.

Conclusion and Next Steps

The Board may, in its sole discretion, award any of the following grants:

- The Board acknowledges that the City's merger of City and School District back office functions which occurred in 2015 was a significant shared service which resulted in immediate savings and serves as a model for other efforts. In recognition of this achievement, the Bard may, in its sole discretion, award a grant of $5 million for its 2018-19 fiscal year.
- The Board recommends that the City, in conjunction with its governmental neighbors, develop and implement a shared services plan that will lower the annual cost of providing specific services and address the inherent duplication of services via multi-governmental jurisdictions, in areas including but not limited to police service and court administration.
- The Board recommends that the City continue to implement additional efficiency actions that will lower the annual cost of providing specific services.
- The Board recommends that the City seek labor and healthcare efficiencies.

The specific structure and conditions of any such grants, which would be developed in consultation with the City, and any other aspects of such grants would be subject to an affirmative vote of a majority of the total members of the Board.

Appendix A – Resolution from City of Yonkers

RESOLUTION NO.55-2018

BY COUNCIL PRESIDENT KHADER, MAJORITY LEADER SABATINO, MINORITY LEADER BREEN, COUNCILMEMBERS WILLIAMS, PINEDA-ISAAC, RUBBO AND MERANTE:

A RESOLUTION REQUESTING A COMPREHENSIVE REVIEW BY THE NEW YORK STATE FINANCIAL RESTRUCTURING BOARD FOR LOCAL GOVERNMENTS

WHEREAS, the City of Yonkers is a Fiscally Eligible Municipality based on the criteria established under the New York State Local Finance Law and qualifies to request a Comprehensive Review by the Financial Restructuring Board for Local Governments; and

WHEREAS, the City Council of the City of Yonkers understands that the Financial Restructuring Board has the ability to undertake a Comprehensive Review of the City of Yonkers' operations, finances and practices; NOW THEREFORE BE IT

RESOLVED, that the Mayor and City Council of the City of Yonkers request a Comprehensive Review by the New York State Financial Restructuring Board for Local Governments; and

BE IT FURTHER RESOLVED, that the Mayor is authorized to execute any and all documents instruments necessary to fulfill the City of Yonkers' obligations under the Financial Restructuring Board's Comprehensive Review and that the Mayor will provide the Budget and Finance Committee and the Government Operations and Oversight Committee of the City Council with copies of any written communications that are received from or provided to the Financial Restructuring Board; and

RESOLUTION NO.55-2018 (CONTINUED)

BE IT FURTHER RESOLVED, that copies of this resolution be certified and sent by the City Clerk to the Financial Restructuring Board for Local Governments, the New York State Secretary of State, and the New York State Comptroller.

THIS RESOLUTION WAS ADOPTED BY THE CITY COUNCIL AT A SPECIAL COUNCIL MEETING HELD ON TUESDAY, APRIL 17, 2018 BY A VOTE OF 6-0. COUNCILMEMBER MERANTE WAS ABSENT.

COUNCIL PRESIDENT — 4/24/18 DATE

SENT TO MAYOR 4/24/18 DATE

MAYOR — APPROVED 4/25/18 DATE

ATTEST:

CITY CLERK — 4/25/18 DATE

Appendix B – Resolution Approving the City of Yonkers

Financial Restructuring Board for Local Governments

RESOLUTION No. 2018-10

DEEMING THE CITY OF YONKERS A FISCALLY ELIGIBLE MUNICIPALITY AND APPROVING THE REQUEST FOR A COMPREHENSIVE REVIEW FROM THE CITY OF YONKERS

WHEREAS, the Financial Restructuring Board for Local Governments (the "Board"), created pursuant to Chapter 67 of the Laws of 2013, is empowered by section 160.05 of the Local Finance Law to, among other things, deem certain municipalities as Fiscally Eligible Municipalities on a case by case basis if the Board determines that such municipalities would benefit from the services and assistance which the Board has the legal authority to offer; and

WHEREAS, when evaluating whether a municipality is a Fiscally Eligible Municipality, New York State Local Finance Law 160.05 requires that the Board consider the municipality's average full value property tax rate and average fund balance percentage, and such other criteria as the board deems relevant; and

WHEREAS, pursuant to New York State Local Finance Law section 160.05(3), upon the request of a fiscally eligible municipality, by resolution of the governing body of such municipality with the concurrence of the chief executive of such municipality, the Board may undertake a comprehensive review of the operations, finances, management practices, economic base and any other factors that in its sole discretion it deems relevant to be able to make findings and recommendations on reforming and restructuring the operations of the fiscally eligible municipality (the "Comprehensive Review"); and

WHEREAS, the City of Yonkers (the "City") has an average full value property tax rate of $6.4548 per $1,000, which is below the automatic fiscal eligibility threshold of $7.3381 average full value property tax rate of seventy-five percent of counties, cities, towns, and villages with local fiscal years ending in the same calendar year as of the most recently available information; and

WHEREAS, the City has an average fund balance percentage of 12.97 percent, which is above the automatic fiscal eligibility threshold of five percent average fund balance percentage; and

WHEREAS, the City exhausted 93.2 percent of its Constitutional property tax levy limit for its 2018 fiscal year, and an estimated 87.7 percent for its 2019 fiscal year; and

WHEREAS, the City used $20.6 million of general fund balance to cover a fiscal year 2017 deficit, and will use an estimated $35.0 million of its general fund balance to cover a fiscal year 2018 deficit, and its remaining general fund balance available of $18.3 million is being to balance its 2019 fiscal year budget; and

WHEREAS, the City's 2019 fiscal year executive budget proposal includes 182 layoffs of the City workforce; and

WHEREAS, City expenditures are projected to increase $22.3 million in its 2019 fiscal year, primarily due to steep contractual increases in personal service and fringe benefits, including four percent cost of living wage increases for uniform service bargaining units; and

WHEREAS, the City will be entering into a new round of collective bargaining with six of the City's largest collective bargaining units with expiring contracts in its 2019 fiscal year; and

WHEREAS, the Board acknowledges the possibility of recurring savings for the City through new or increased efficiencies, new or expanded shared services with other local government entities, and/or modifications to existing workforce provisions; and

WHEREAS, the governing body of the City with the concurrence of the City's chief executive has requested that the Board undertake a Comprehensive Review of the City;

NOW THEREFORE BE IT RESOLVED that the Board hereby finds the City to be a fiscally eligible municipality pursuant to its authority within New Yok State Finance Law section 160.05(2); and

BE IT FURTHER RESOLVED that the Board agrees to undertake a Comprehensive Review of the City in accordance with New York State Local Finance Law section 160.05(3).

This resolution shall take effect immediately and remain in effect until modified, replaced or repealed by resolution of the Board.

No. 2018-10
Dated: 6-13-18