



CITY OF MOUNT VERNON, N.Y.
OFFICE OF THE COMPTROLLER

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Comptroller

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To: Mayor Patterson Howard and Members of the City Council

From: Darren M. Morton, CPRP, CMFO, Comptroller, Office of the Comptroller

Date: December 12, 2025

Re: Statement on the Revised 2026 Proposed Annual Estimate – December 4, 2025 version (v2)

Purpose

This memorandum provides a general summary of the revisions incorporated into the 2026 Proposed Annual Estimate, issued on December 4, 2025, and explains the adjustments that resulted in a reduction of the projected tax rate from 6.09% (v1 – November 18, 2025) to 5.47% (v2 – December 4, 2025).

Overview

Following a comprehensive review of the revised 2026 Proposed Annual Estimate, several expenditure and revenue adjustments were made to produce a more realistic and fiscally responsible spending plan for FY2026. Despite a \$1.3 million increase attributable to retirement costs and debt service, the most significant contributors to the reduced tax rate—aside from the elimination of additional positions—are \$768,000 in miscellaneous reductions and \$537,000 in Recreation Department appropriations.

Given that approximately 85% of the budget is devoted to personnel costs, any further reduction to the tax rate would necessarily require the elimination of additional staff positions. The remaining roughly 12% allocated to operational expenses is already constrained and raises significant concerns about the City's ability to adequately fund the resources necessary to support core operations and constituent services.

If adopted, careful management of this budget will be critical, particularly given the significant reductions in direct-service areas such as Recreation and Youth Programs. We will need to closely monitor revenue generated from fee-based programs in both departments to ensure adequate staffing levels can be maintained. Any revenue collected above targeted projections may need to be redirected to support staffing costs in these service areas. Without such adjustments, reductions in recreation and youth programming will be unavoidable.

Additionally, the reductions in appropriations and contingency funding substantially limit the availability of discretionary resources to advance payments for reimbursable or unfunded

expenditures. As such, any requests to accept funding that requires upfront City payment must be approached with caution and restraint. The City must prioritize securing external funding sources that do **not** require reimbursement or identify third-party entities to advance payments until reimbursements are issued—similar to the current process used for EFC-funded projects.

This updated budget version maintains essential services while implementing stricter cost controls across multiple departments to better align spending with the City’s fiscal capacity.

I. Staffing Reductions

In total, more than 30 positions—comprised of temporary and part-time roles—were eliminated, resulting in over \$3.4 million in reduced personnel costs.

II. Expenditure Adjustments

Citywide, total appropriations were reduced from \$157.2 million in v1 to \$156.9 million in v2, resulting in a net decrease of \$300K. The following departmental adjustments represent the most significant changes:

Department/Budget Category	Change
Miscellaneous Items	-\$768,000
Recreation Department	-\$536,921
DPW Highway Division	-\$116,500
Building Department	-\$116,500
Employee Benefits	+423,269
Debt Service	+988,446

Major Drivers of the Net Decrease

A. Reduction of Contingency and Citywide Discretionary Lines

Several citywide accounts were lowered in v2:

Account	v2	v1	Change
Contingent Fund (1990.493)	1,000,000	1,250,000	-250,000
Contingent Fund – Union/Salaries (1990.494)	1,535,000	2,000,000	-465,000
City-Wide Communication (1650.458)	30,000	60,000	-30,000

These changes collectively reduce appropriations by **~\$745,000**.

B. Departmental Reductions

Several departments reduced certain lines to reflect historical spending or updated operational needs:

1. DPW – Highway Maintenance (5110)

- v2 total dropped by **-\$116,500**
- Major reductions:
 - Street Signs **-\$15,000**
 - Fence Repairs **-\$10,000**
 - Street Maintenance/CHIPS **-\$100,000**

2. Street Lighting (5182)

- Net increase (+\$75,000), but equipment line increased by +\$75k which raised scrutiny.

3. Recreation Department (7020, 7140, 7141, 7180, & 7310)

- v1 assumed expansion; v2 returns several lines to more conservative levels, including:
 - Programs for the Aging reduced by **-\$99,800**
 - Playgrounds & Recreation Centers reduced by **-\$75,000**
 - Part-time salaries reduced by **-\$200,000**
 - Travel/training lines removed

C. Increases in December 4, 2024 Version (v2)

Some departments saw targeted increases, mainly reflecting staffing or correction of under-budgeted items:

Department	Increase Notes
DPW – Street Lighting	+75,000 Equipment
Police Ticket Collection (1130)	+50,000 Contract Services

These increases were more than offset by reductions in global accounts and contingency.

Comparison to 2025 Actual Expenditures

A number of lines show **significant variance from 2025 actuals as of November**, suggesting structural budget risks:

Under-budgeted relative to actuals:

- **Police Overtime:** Actual \$2.8M vs. budgeted \$1.0M
- **Fire Overtime:** Actual \$3.0M vs. \$1.0M
- **Sanitation Dumping Costs:** Actual \$1.04M vs. \$925k
- **Parks Overtime:** Actual \$62k vs. \$45k

Over-budgeted in 2026 relative to 2025 actuals (budget padded):

- Several DPW sub-departments underspent equipment & supplies by >50%
- Building Department contractual lines significantly underspent actuals

These variances highlight areas where appropriations must be closely monitored if adopted or could be further aligned with actual spending trends.

III. Revenue Adjustments

The Version 2 – December 4, 2025 (V2) revenue schedule is substantially more conservative than Version 1 – November 18, 2025 (V1), particularly in several high-uncertainty categories. Most notably, and not a perfect science, V2 reflects adjustments more aligned with actual trends over the last few years, while adding a **one-time asset sale estimate of \$900,000**. However, key recurring revenue sources—most significantly **Sales & Use Tax**—remain budgeted at levels materially higher than 2025 actuals. This continues to pose downside risk for FY2026 collections and will require close monitoring and contingency planning.

It is also important to note that the **one-time asset sale revenue will not recur and must be replaced in the 2027 budget**, either through sustainable revenue growth or additional corrective measures.

Given these risks, **all revenue lines must be monitored rigorously on at least a quarterly basis**. Should significant negative variances emerge, reductions in appropriations—including, but not limited to, personnel adjustments—may become necessary to maintain fiscal stability.

A. Largest Upward Revisions (v2 > v1)

- **A1051 — Gain on sale of tax-acquired property (+\$900k):** New/added one-time revenue in v2. This is the single largest upward revision and appears to be a one-time proceeds assumption (asset sale). Treat as non-recurring revenue; do not rely on it for structural budget items.

- **A2410 — Rental of Real Property (+\$250k):** Significant upward reassessment of rental income (v2 = \$850k vs v1 = \$600k). This either reflects new leases or revised assumptions about occupancy/rental rates; durable only if lease agreements exist.
- **A1240.1 — Collection Fees on Delinquent School Taxes (+\$150k):** Cash-collection expectation increased in v2. Note that actuals 2025 (\$395k) exceed both v1 and v2, meaning v2 is conservative relative to 2025 actual performance.
- **A2709 — Employee Contribution (Insurance) (+\$200k):** v2 increases expected employee contributions; however 2025 actuals (\$2.31M) exceed the 2026 projection, so monitor plan changes and payroll assumptions.
- **A2889.2 — Transfer from IDA (+\$75k):** Upward revision of an intergovernmental/transfer source related to shared personnel cost.

B. Largest Downward Revisions (v2 < v1)

- **A1090.1 — Interest on School Real Property Taxes (-\$400k):** v2 reduces this to \$200k from \$600k. 2025 actuals show no receipts—so v2 adopts a conservative stance with the assumption collection procedures have been streamlined.
- **A1116 — Tax on Adult-Use Cannabis (-\$200k) and A3005 — Mortgage Tax (-\$200k):** Reductions reflect more cautious assumptions (market slowdown or lower-than-expected tax base).
- **A2555 — Building & Alteration Permits (-\$100k) and A3389.9 — NYS Other grants (-\$100k):** Indicate removal/deferral of some permitting activity and state grant expectations.

C. Proposed Budget Alignment to 2025 Actuals (corrections or red flags)

- Several large revenue lines remain *unchanged* v1→v2 but display significant variances vs 2025 actuals:
 - **A1110 Sales & Use Tax** (budgeted \$28.5M; actual 2025 = \$22.55M): v2 leaves sales tax unchanged from v1 — but actuals are ~ **\$3.95M** below the proposed number. This is one of the clearest downside risks to the revenue plan and the biggest single driver of levy pressure if collections follow 2025 patterns. It further highlights the importance of a targeted economic/business development plan to change the downward trajectory.
 - **A1195 Transfer Tax** (budgeted \$2.5M; actual 2025 ≈ \$1.87M): v2 keeps \$2.5M but actuals are ~ \$630k lower — another risk point. However, a more promising outlook is expected as a result of the recent change in the fee percentage rate from 1.0% to 1.5%. We anticipate increased revenue.
 - **A1720 Parking Meters and Permit Fees** (budgeted \$1.5M; actual 2025 = \$1.0M): v2 flat project will require a more concerted effort to regulate parking requirement

throughout the City. The parking staff must be held accountable for changing culture and enforcing parking requirements. Otherwise, operational changes are necessary. Performance data should be submitted to BOE&C on a bi-monthly basis.

- **A2610.5 Parking Fines** (budgeted \$4.0M; actual 2025 ≈ \$3.36M): v2 projects an increase in parking fine revenue based on the addition of a full-time prosecutor, which is expected to reduce the number of dismissed or downgraded violations. As this will be the first year implementing this new enforcement structure, the revenue impact remains uncertain. A conservative approach is advised until actual performance data can confirm the effectiveness of this initiative.
- **A2130 Refuse and Garbage Charges** v2 reduces the revenue by \$100K. Despite the proposed adoptions of an increased refuse fee in 2026, and the potential to generate additional revenue, these funds are restricted to operational and capital cost related to sanitation services. If the budget allocation was increased, it would leave little room to build a Capital Fund to address long-term sanitation infrastructure and equipment needs. Without additional capital fund revenue capacity, the City risks continued challenges in financing necessary capital investments. It is my recommendation to restrict the operational allocation to allow for capital fund expenditures; this is prudent.
- **A2555 Building and Alteration Permit** v2 includes a \$100K reduction from v1 despite the \$700k negative variance related to the 2025 actuals. The \$3.9M projection is driven by the several large-scale and one-time development projects anticipated in 2026. While these projects provide significant short-term revenue, they are non-recurring and should not be relied upon to support ongoing operational expenses. Heavy dependence on this type of one-time revenue may result in structural budget gaps in future years if construction activity returns to typical levels and should be monitored closely to determine appropriate budget level in future budgets.

D. One-time vs Recurring

- **One-time / speculative items included in v1 but largely removed or reduced in v2:** A2770.9 (other unclassified), A2816 (Transfer from Water Fund reduced from \$1M to \$750k), and some grant assumptions. v2 is demonstrably more conservative in removing speculative receipts — this improves credibility.

E. Net Effect on Fiscal Position & Tax Rate

- v2 tightened many revenue assumptions (notably reduction in other speculative lines) while adding a few one-time proceeds (A1051 \$900k) and raising conservative recurring items (rental income, collection fees). The net effect (combined with the appropriation reductions previously identified) is to produce the lower tax rate in v2 while making the revenue forecast slightly more defensible (less dependent on uncertain grants).

- The principal remaining risk is **Sales & Use Tax (A1110)** — unchanged at \$28.5M despite 2025 actuals to date, \$22.55M; if sales tax collections continue near 2025 levels the City will face material shortfalls. The City will need to verify whether 2025 was an outlier (timing, refunds, one-time adjustments) or the start of a sustained decline.

III. Major Line-Item Changes (November 18th v1 vs December 4th v2)

Largest Reductions

- Contingent Fund: **-\$250,000**
- Contingent Fund – Salaries/Contracts: **-\$465,000**
- Highway Maintenance (5110):
 - Street Maintenance: **-\$100,000**
 - Street Signs: **-\$15,000**
- Memorial Field/Rec:
 - Multiple part-time salaries removal: **-\$200,000**
- Membership & Dues lines across departments: **-removed and placed under BOE&C**

Largest Increases

- Transfers Out – Debt Service: **+988,446**
- Employee Benefits (retirement adjustment): **+430,007**

IV. Items with Major Variance from Actual 2025 Budget Under-budgeted (risk of overrun)

- Police Overtime: **\$1M budget vs. \$2.8M actual**
- Fire Overtime: **\$1M vs. \$3M**
- Sanitation Dumping Costs: **\$925k vs. \$1.046M**
- DPW Overtime & Supplies (multiple divisions)
- Heating fuel lines (actuals significantly higher)

Over-budgeted (opportunity for further trimming)

- Many DPW equipment lines where actual use <15% of budget

V. Top Budget Risk Flags (actionable recommendations)

1. **Ratio of Employee Cost versus Operational Cost** – The proportion of employee-related costs relative to operational expenditures is significantly disproportionate. Completion of a comprehensive workforce assessment is necessary to determine appropriate staffing levels that will sustain core services, improve operational efficiency, and rebalance employee-related costs in relation to overall operating expenses.
2. **Sales & Use Tax (A1110)** — Highest single revenue line. Because 2025 actuals are ~ \$5.95M below the proposed estimate, the City should either: (a) develop an economic development plan to ensure revenue target is realized, (b) identify contingency cuts or revenue offsets equal to the potential shortfall, or (c) adopt a more conservative sales tax projection and further reduce appropriations. Quarterly monitoring and a formal trigger for corrective action are advisable.
3. **Transfer/Grant Reliance** — v1 included large speculative items (A2816 \$1M). v2 rightly reduces to \$750K, which remains a concern. Confirm the status of Water Department excess projections.
4. **One-time Proceeds (A1051)** — the last version includes \$900k from property sales. Treat as one-time — plan to replace this revenue with alternative recurring revenue in the future.
5. **Building & Alteration & Permit Revenue (A2555, A2560.1, A2565)** — Permitting assumptions were trimmed; actuals are below v1. Given that much of permitting revenue is project-driven and non-recurring, avoid structural spending based on these lines.
6. **Parking Meters and Fines (A1720 and 25610.5)** – monitor parking revenue on a bi-monthly bases and if shortfalls occur, adjust the operational cost associated with parking operations.
7. **Overtime** – the BOE&C must review departmental procedures for overtime and hold department leadership accountable for efficient staffing levels and planning.
8. **Employee Insurance Contributions (A2709)** — v2 increased this line but 2025 actuals are higher than v2; confirm that the assumed plan year and payroll basis align.

Finally, adopting the previously presented austerity budget framework as operational guidance will strengthen fiscal discipline during these challenging times and support the City's broader efforts toward financial stabilization and recovery.

cc: Jean E. Apollon, Sr., 2nd Deputy Comptroller
Condell Hamilton, Assistant Comptroller