



October 8, 2017

Dear Fellow East Siders:

I hope you are enjoying Columbus Day weekend. This week's letter will discuss school facility repairs, the operating budget surplus and the City's long term financial picture.

On Tuesday, October 10 at 5:30-7:30 p.m. at Hope High School, the School Department will hold a public workshop to solicit ideas for a school facilities plan. The School Department has engaged a nationally-based consultant to facilitate the meeting. If the pattern of previous plans is repeated, the workshop will support a discussion of both specific issues at particular schools and broader questions of how to align school facilities with the best educational practices. In addition to developing a "wish list" for the best possible school facilities, I will urge the School Department to identify priorities that will adjust to the availability of funds. The administration announced that it will develop a plan with up to \$400 million in renovations, but historically these renovations have been underwritten primarily with State (rather than local) funds due to the City's limited financial capacity. Since 2007, the State has cut back significantly on school facilities funding; however, the Governor recently convened a working group to look at this issue. The City's budget for school renovations will depend significantly upon the State's commitment; therefore, I will urge the School Department to develop priorities within its facilities plan that will provide the best results for students at different levels of State funding.

Last week, the administration announced an expected operating fund surplus of at least \$10 million for the recently ended fiscal year, the second consecutive year of surplus. The administration has stabilized the operating budget by increasing the allocation for the City's self-insured medical expenses and energy savings from LED street lights. There remains a potential liability from settling the fire fighters arbitration, but there now appear to be reserves available to address the anticipated range of outcomes. Having stabilized the operating budget, the City now has the option to consider addressing certain longstanding issues regarding the City's services and physical plant. For example, the City has frequently used capital borrowings to address deferred infrastructure maintenance, rather than extending the useful of roads and buildings on an annual basis, such as by sealing cracks in the roads or keeping building repairs up to date. Just as an automobile's life can be extended by regular oil changes and other service, so can the City save money over the long run by increasing its annual expenditure on facilities maintenance, something I will advocate for in the next budget.

The City's stable operating fund reinforces the goal of investing capital funds into school renovations; however, other significant financial challenges remain. Earlier this year, the Treasurer published a [Debt Affordability Study](#) measuring the capacity of state and local government agencies to repay the money they borrow. The Study includes a [Chart](#) for local governments, which indicates that Providence's debt ratios are significantly higher than recommended levels, especially when one includes pension debt. In short, it will be necessary to address the City's long-term debt obligations in order to afford an extensive school renovation plan. More generally, it is fair to view the City's pension obligation as our own version of "global warming" – a problem that has been growing for years, has become more difficult to solve over time, and which must be addressed with greater urgency while we still have the ability to solve it.

Sincerely,