



July 19, 2015

Dear Fellow East Siders:

In a week in which the final regular City Council meeting prior to the August recess begins, the City took one step forward and one step backward.

Moving forward, the City Council gave initial approval Thursday night to a set of standard or “template” tax stabilization agreements, two for the I-195 and Capital Center districts, and one for “opportunity neighborhoods.” The first two templates will expedite the approval process for major downtown developments, while the latter will do the same for areas with substandard housing stock. The City Council’s Economic Development Task Force first proposed this concept in 2013; however, the City Council until recently was reluctant to yield to the administration its prerogative to review these agreements one at a time. I believe it is now inevitable that the template will spread to other major downtown projects outside the two districts, as developers view the current enactments as a precedent. I am hopeful this will open the gates to expansion of the City’s tax base; however, because the new projects will not produce significant tax revenues for the first five or more years, the City budget will need to work within very narrow margins for the next half-decade or longer.

Moving in the other direction, Channel 12 [reported](#) last Thursday morning that the City Council hired a former member to a “civil service” position that departed from standard governmental practices in the areas of budgeting, personnel and pension finances. We consider each in turn:

- Budgeting: The City Council’s Finance Committee is responsible for reviewing the budgets of all City departments, and obtaining explanations for personnel changes. This year, the Finance Committee held budgetary hearings to review the budgets of every major City department except for the \$4 million City Council budget. In this case, the former City Council member was hired to a new position of “liaison and administrator” to the Clerk’s Office. This position did not exist in the 2014-15 budget, and it was not included in the budget the Mayor submitted to the City Council in April. Instead, it appeared for the first time in an amended budget submitted to the Finance Committee at around 8:00 p.m. on Thursday, June 4, and that Committee approved the budget with the new position later that night. The Committee did not discuss the new position, and the Finance Chair declined to answer questions about the City Council budget when it was presented for approval by the full City Council the following Monday, saying that such questions should have been raised at the Finance Committee hearings (at which time these increases were never revealed or discussed).
- Staffing practices: The new position was the first addition to the Clerk’s Office in many years, increasing the staffing level from 13 to 14. I have not seen the job description for the position (if it exists), but it will be interesting to learn why there was a need for a “liaison” between the two offices. The Clerk’s Office is located next to the City Council Office, and City Council members typically have productive working relationships with many of the clerks. If there were a need for a liaison to coordinate the work flow between the two adjacent offices (a point which is far from clear), the Clerk could have appointed one of the current staff members for this role.

- Recruitment and hiring practices. The position was filled without a public posting or discussion. Even if the position is needed, it is not clear whether the best qualified person was hired. For example, as just noted, there are a number of staff members in the Clerk's Office who have demonstrated skill in working with the City Council, many of whom might have welcomed the chance for a promotion. Both [the State](#) and other cities (such as [Warwick](#)) post job openings online to recruit the best qualified candidate. In contrast, it is not clear whether anyone knew about this position other than the people who created it and the person who filled it.
- Pension finances. The City has a "defined benefit" pension plan for classified employees with a formula based on average salary times a fraction based on years of service. Average salary is computed based on the highest four years of compensation during the employee's most recent ten years of service, and the length of service factor is either 2% or 2.5% per year of service, depending on timing. The employee filling the newly created position has 22 years of service on the City Council; therefore, her average salary (for pension purposes) is less than \$20,000, and her length of service factor is 55%. (She also receives a second "elected official" annual pension of \$350 per year in office.) The new position has a salary of \$57,000 or more. If she holds this position for 4 years or longer, her average salary for pension purposes will triple, and her length of service factor will exceed 65%, for a pension in excess of \$35,000, a boost to her pension of more than \$25,000 per year. I plan to ask the City's pension actuary for a more complete analysis, but I performed my ["back of the envelope" analysis](#) with [supporting exhibits](#) to get an approximate sense of the order of magnitude, assuming the former City Council member holds the position for five years and retires.

To provide a comparison, I considered the hypothetical case of a second employee without prior City Council service who held the position for five years and then retired. Under the City's formula, her annual pension would be \$5,700.) I concluded the former City Council members' expected lifetime pension benefits will increase by \$300,000 through her employment in the new position for five years, that the City's pension funding obligation will increase by more than \$140,000 (were it invested today), and that a new employee without the prior City Council service would require a contribution to the pension fund today of less than \$40,000. In other words, the City's expected pension funding obligation is going to increase by around \$100,000 in present-day value terms because of the particular person who was hired. These figures are approximate and subject to check by the City's actuary. (For the record, my first official act after being sworn into office was to opt out of both pension programs.)

While the City stands to gain more from its progress on tax policy last week than it stands to lose from a single personnel decision, the juxtaposition is unfortunate, as the perception created by this type of hiring discourages businesses from locating in Providence, and discourages the State from investing in the City. Last week was, on balance, a good week for the City, but it could have been a much better one if the City Council were more committed to good government practices and procedures.

Sincerely,


