



Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly
Dennis E. Hoyle, CPA - Auditor General

oag.ri.gov

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October 20, 2015

Honorable Jorge O. Elorza
Mayor of the City of Providence
25 Dorrance Street
Providence RI 02903

Honorable Luis A. Aponte
City Council President
25 Dorrance Street
Providence RI 02903

Gentlemen:

I write regarding the timely resolution of the City of Providence's cumulative deficit as well as the estimated operating deficit for Fiscal 2015 to be confirmed once the City's annual audit is completed.

As you know, section 45-12-22.3 of the General Laws requires elimination of the deficit in equal or diminishing installments over a period not to exceed five years. We have been working with the City over the past few years to monitor its progress in eliminating the cumulative deficit. The cumulative deficit at June 30, 2014 remained at \$8.5 million – reductions of \$1.6 million and \$1.2 million occurred in fiscal years 2013 and 2014. While the reductions in prior years were less than the "equal or diminishing amounts" requirement of the General Laws, there was still progress in reducing the cumulative deficit.

The City's current estimated General Fund operating deficit for fiscal 2015 of \$5 million not only interrupts the planned reduction of the cumulative deficit but also adds a new layer requiring resolution.

We have met with the City's administration and understand the issues that gave rise to the fiscal 2015 estimated deficit. Given that the City's fiscal 2015 operating results (unaudited) include the impact of debt refundings and other non-recurring items, I remain concerned that the City will be challenged just to balance its fiscal 2016 budget without generating an operating surplus to reduce the cumulative deficit.

I recognize that the City has and continues to appropriately include deficit reduction in its annual enacted budget. However, despite inclusion in the budget, the "accounting mechanics" only effectively reduce the cumulative deficit when a General fund operating surplus occurs.

Please provide an updated deficit reduction plan, approved by the City Council, which proposes to eliminate the cumulative deficit (both prior and fiscal 2015 components) in compliance with General Law requirements.

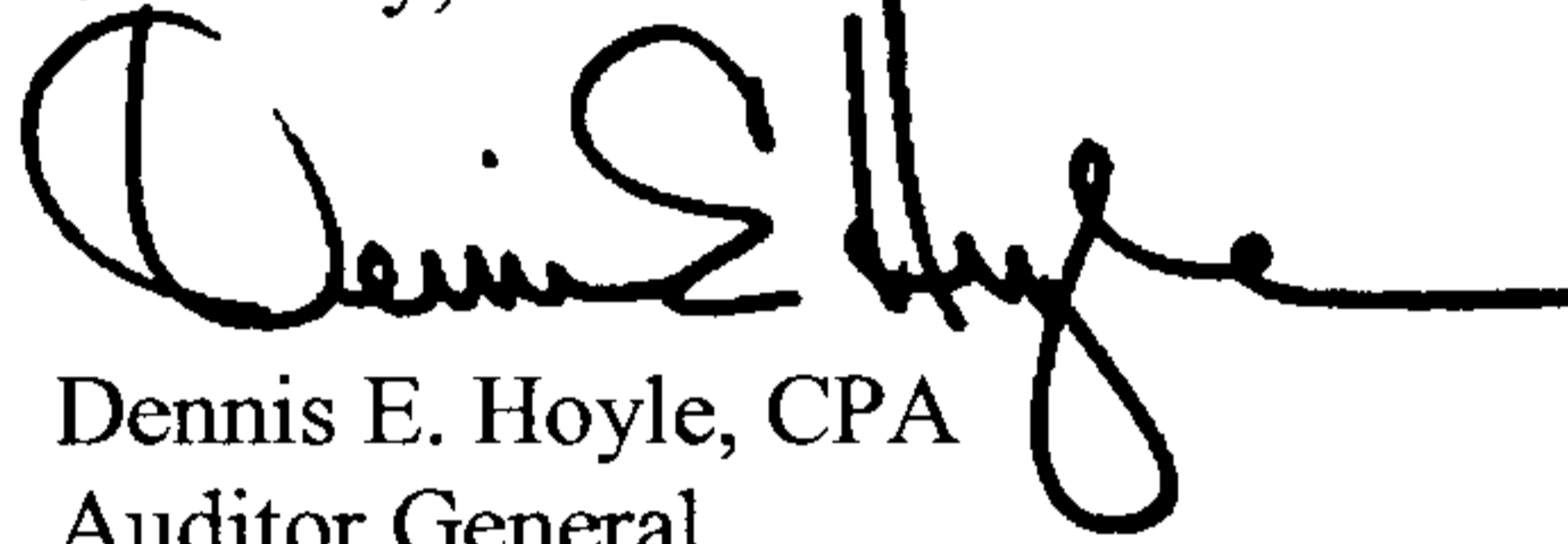
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As discussed with members of the Mayor's administration, I will schedule regular monthly status meetings to provide opportunities to stay current with the City's financial situation and its progress in eliminating the deficit.

I fully acknowledge the fiscal challenges facing the City. Currently, these deficits are significant but manageable within the context of the City's \$696 million annual operating budget. To eliminate these deficits in a timely manner, it is imperative that the City adopt and comply with a realistic plan.

I look forward to working cooperatively with the City to ensure its future fiscal stability.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis Hoyle". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dennis E. Hoyle, CPA
Auditor General

C: Providence City Council members
Tony Simon
Brett Smiley
Lawrence Mancini
Matthew Clarkin
David Sullivan
Susanne Greschner