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City must fix crumbling infrastructure

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During the first half of his term, Providence Mayor Angel Taveras set a course to stabilize the capital city's operating and pension funding deficits. During the second half, his administration began to address the city's infrastructure deficit caused by more than a decade of deferred maintenance. During 2013-2014, Providence implemented a $40 million road repair program that repaved more than 60 miles of roads, exceeding the total amount addressed during the previous decade.

With that said, the recent program only begins to rebuild the city's infrastructure of streets, schools and sidewalks. The administration's engineering study revealed another $220 million of needed street repairs. In 2006, a consultant identified $790 million in needed school repairs, of which more than $600 million remains. This fall, the Public Works Department reported a backlog of thousands of unrepaired sidewalks, some pending for 10 years or longer, with an estimated cost of $20 million.

These infrastructure deficits dampen economic development, endanger the public safety, compromise our children's opportunity to learn, detract from our quality of life and damage our sense of place.

It is common to use bond financing for major capital projects. Providence's recent history provides three useful examples of both the wrong way and the right way to develop a capital funding program.

In 1996, the Cianci administration proposed a $50 million "neighborhood improvement" bond that the voters approved for sidewalk repairs and other infrastructure issues. In a triumph of politics over sound policy, the mayor and City Council agreed to allocate $33 million of the proceeds into 15 discretionary spending accounts — $2.2 million for each City Council member, with the remainder left available for the mayor's use and for specific projects.

While much of the money was reasonably spent, there were notable abuses, including expenditures to build a restaurant, renovate a church hall and hire an assistant principal at a private school. These abuses wasted the city's money, undermined public confidence in government and harmed the city's image.

A second example of misused bond financing occurred in early 2011, when Providence faced a "Category 5 fiscal hurricane" bequeathed by the previous administration. As part of its response, the city borrowed $33 million of "green energy" bonds, $5 million of which paid for energy efficiency improvements, while the balance filled a portion of the city's $70 million mid-year operating deficit. It is imprudent to use long-term capital funds to provide immediate fiscal relief, but the state approved the transaction because the alternative of insolvency was even worse.

In 2012, the Taveras administration proposed the recently completed street repair bond. Departing from the 1996 precedent, the administration relied upon engineers, not elected officials, to determine priorities based on road conditions, traffic and the cost of repair. A City Council committee countered by proposing separate discretionary accounts for each council member, but fortunately the administration persuaded a majority of the City Council to avoid a reprise of earlier abuses.

In developing a capital improvement plan, the new administration of Jorge Elorza must consider the city's bonding capacity. As of July 1, Providence carried a debt load of approximately $480 million, which supported a credit rating of Baa1. (The more a city borrows, the lower its rating, which increases the cost of future borrowing.)

Over the next five years, approximately $200 million will be paid off, providing capacity to fund new projects. In this context, a $20 million bond to clear out the sidewalk backlog is affordable, while the larger costs for streets ($220 million) and schools ($600 million-plus, subject to state support) will require more time.

Providence could benefit from Rhode Island's resumption of the school housing aid program, as well as possible new state infrastructure initiatives, such as some interesting proposals made by statewide candidates during the recently concluded election season.

Most of all, the city would benefit from a comprehensive long-term infrastructure plan that adequately accounts for both needs and capabilities. To maximize those capabilities, the city must resolve to balance its budget each year (and build a "rainy day" fund) to forestall future "deficit reduction" bonds, and to use objective data, rather than political convenience, to develop funding priorities.

Over the past four years, Providence navigated a series of catastrophes brought on by decades of choosing expediency over long-term well-being. Having developed plans to address the fiscal deficit and the pension deficit, Providence should now develop and commit to a long-term capital budget and address its infrastructure deficit.

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