



March 5, 2017

Dear Fellow East Siders:

As our local college basketball teams streak towards dreams of extended March Madness, this week's letter discusses the City's current year budget, 5-year budget and capital budget.

At a Wednesday night meeting of the Finance Committee, the administration reported on the current year's budget and a projected 5-year operating budget. It projects the current year's operating budget to end in balance, and is supported by pension contributions on an accelerated schedule, advancing from a prior practice of funding the pension for any given year with tax receipts from the following one. With that said, a question remains concerning the claim by the fire fighters for "back pay" during the now-abandoned initiative to shift change. An arbitrator will decide what amount the City must reimburse the fire fighters for a 15-month period in which fire fighters worked an additional 14 hours per week (a 33% increase) for a base pay increase of 8%.

Also on Wednesday night, the administration reviewed a 5-year budget it submitted to the State at the end of last year. As noted in my [January 8 letter](#), the 5-year budget projects annual surpluses in the \$10 million range on the municipal side, and deficits of a similar magnitude for the School Department. Since these budgets were presented, the Mayor announced he plans to increase the City's appropriation to the School Department, which will incrementally reduce the disparity of the two budgets. It also is remarkable how starkly the 5-year budget contrasts with the "10-year financial plan" the City's consultant presented last year to support dramatic action to address the City's long-term financial stability. The 5-year budget incorporates new developments, including the federal grant to support the hiring of new fire fighters. Also, the 5-year budget assumes sufficient increases in property values to support 4% increases in revenues at the time of each revaluation (the maximum amount permitted under State law) without an increase in tax rates. The 5-year budget also assumes constant debt service payments, i.e., the City will issue new bonds for infrastructure projects as old debt is paid off. While the overall picture of municipal financial stability is encouraging, I worry that the change from last year's predictions is too dramatic to support commitments to systematic long-term planning.

At Thursday night's meeting, the City Council approved a consent decree with the State to address water pollution law violations resulting from the City's inadequately maintained storm drain system. The agreement will require the City to carry out repairs costing approximately \$500,000 per year over a 10-year period. The City Council's committees delayed their review and recommendation of the consent decrees until the Department of Environmental Management explained how much more costly the enforcement fines would be than paying to comply. While the maxim of "better late than never" applies, the City Council's reluctant, last-minute approach is but an example of the larger problem of the City Council leadership's continued obstruction of an infrastructure bond, even after more than 85% of the voters approved a bond referendum on Election Day. Despite this mandate, the people's will was frustrated by the City Council leadership's machinations, resulting in what became known as the "zombie bond." As noted in the [Bond Study Commission Report](#), the City's infrastructure deficit is severe, there is capacity to borrow additional funds and interest rates are currently quite low. Despite these facts, the City Council's "bond deniers" have blocked an infrastructure bond because they want individual discretionary Council member control over expenditures in "ward accounts." I have decided to take a page from Senator Whitehouse's playbook, in which he recently delivered his 100th weekly speech on the floor of the United States Senate addressing his colleagues about the reality of climate change and the costs of denying it. At Thursday's meeting I delivered my first speech on the floor of the City Council regarding the importance of a "clean" infrastructure bond (without discretionary "ward accounts") and the costs the City will incur should the City Council maintain its denial of this reality and defiance towards the voters whom they were elected to serve. I will continue to give regular speeches on this subject until my denying colleagues comes to their senses.

Sincerely,