SAM ZURIER *Our Councilman* **Ward 2 News**

April 29, 2018

Dear Fellow East Siders:

I hope you have an opportunity to enjoy May Day and Rhode Island Independence Day this week. This week's letter discusses the City Council's review of the Mayor's budget.

This past Friday the City Council received the Mayor's budget. Over the next month, the City Council will review the budget to evaluate its priorities and the efficiency with which it advances them. The School Department Oversight Committee will review the $384 million School Department budget, while the Finance Committee will review the $360 million municipal budget. It will take time to gain an understanding of the budget's details, but it is possible to begin that review at a very general level, as viewed in this chart:

	1	2	3	4	5	6
($ Million)	FY 2015	FY 2018	FY 2019	2018-19 Change ($)	2015-19 Change ($)	2015-19 Change (%)
Taxes	330	352	354	2	24	7.3%
Municipal Budget	333	359	360	1	27	8.1%
Police	68.6	76.9	78.4	1.5	9.8	14.3%
Fire	70.2	70.7	73.2	2.5	3	4.3%
Pension	66.8	78.1	83.4	5.3	16.6	24.8%

The rows present the City's tax receipts, municipal budget (excluding the School Department), Police Department budget, Fire Department budget and pension contribution. The first three columns present the budgets for (1) the last year of the previous administration (2014-15), (2) the current fiscal year (2017-18), (3) the Mayor's budget for next year (2018-19). Column (4) compares the Mayor's proposed budget with the current year's, while columns (5) and (6) compare the Mayor's budget with the last one of the previous administration four years ago, on both a dollar basis (Column 5) and a percentage basis (Column 6).

This "high level" overview provides useful information about trends in the City finances. Comparing the Mayor's budget for next year with the current year (Column 4), it becomes clear that the Mayor's budget is pretty close to its predecessor, with tax receipts increasing by $2 million, or slightly more than 0.5%, and the budget itself increasing by $1 million, or less than 0.5%.

Stepping back to view the budgets over the current 4-year term (Columns 5 and 6), the changes in the major line items generally reflect annual increases in the 2% range, with the exceptions of police and fire. The police department budget has increased with an expansion of the police force, regaining some of the forces lost due to the loss of federal funding and prior budgetary stresses. The fire department budget shows a reduction due to the some of the changes negotiated in the recently approved 5-year contract, but there may be a hidden cost due to the retirement of approximately 100 fire fighters during the platoon changes of 2016-17, far in excess of the normal rate of attrition. This mass retirement may result in adjustments to the average retirement age and average duration of retired fire fighters' pensions, which could lead to adjustments in the amount the City is required to contribute to the pension fund to maintain the current amortization schedule. Within the next year, the City's actuary is scheduled to review this and other data to determine whether it is necessary to adjust the City's pension funding schedule.

The most significant departure from these general trends appears in the bottom row, which presents the changes in the City's pension obligation. Over the current 4-year term, the pension contribution accounts for more than two-thirds of the tax increase ($16.6 million out of $24 million) and more than 60% of the increase in the overall municipal budget ($16.6 million out of $27 million). Over the past year, the $5.3 million increase in the pension contribution far exceeds the increase of tax receipts ($1 million) or municipal government outlays ($2 million). Because the municipal budget includes the pension contribution, it follows that the Mayor's budget has savings elsewhere that the increased pension obligation exceeds. In other words, without the pension increase, it would have been possible in next year's budget to reduce taxes and increase programs at the same time, but the pension's drag on the budget instead required a tax increase and a reduction in programs.

Sincerely,

Samuel D Zurier