

SAM ZURIER

April 9, 2012

Dear Fellow East Siders:

This week's letter is longer than usual, because I need to discuss both a major neighborhood issue and a major City-wide issue. I thank you in advance for devoting extra time and attention.

The local issue is the proposed student apartments at 257 Thayer Street. This week will provide two opportunities to learn more about the project. I will hold a **community meeting tonight (Monday night) at 7:00 p.m. in the Hope High School cafeteria**. My planning adviser, Sam Shamoon, will facilitate a discussion with a panel consisting of Robert Azar from the Planning Department and James Hall of the Providence Preservation Society. The developer declined our invitation, but we expect to be joined by Ed Bishop (who seeks to develop a hotel on Brook Street), a Brown University representative and possibly one from Wheeler School. I called the meeting to learn as much as possible about the underlying policy issues affecting the neighborhood and the City from the presenters, who will then answer questions from those who attend. Many of you have sent me information already, which has been helpful. Some of the correspondence has become passionate, which is understandable. With that said, I would be very grateful if you could help me tonight to focus our discussion on the underlying planning and neighborhood issues, rather than conduct a debate between proponents and opponents. On **Tuesday night, April 10 at 7:00 p.m. at the Governor Henry Lippitt House, 199 Hope Street**, the College Hill Neighborhood Association will hold a community meeting that will feature a presentation by the developer with the opportunity for questions from the floor.

The City-wide issue is the budget shortfall. Last week, I attended a meeting the Mayor's office held to inform the City's General Assembly representatives about the financial crisis and the ways in which proposed State legislation could help to address the City's issues. As many of you know, the City has both a budget deficit problem and a cash flow problem. We currently expect this year's budget to have a \$22 million shortfall, and the Treasurer expects the City to run out of cash in late June. The three major areas that are causing this year's deficit are retiree health benefits, the City's inability to reach agreements for increased payments in lieu of taxes from the major nonprofits, and cost overruns in the police department. The City does not have any significant cash reserves; therefore, the deficit creates the potential for a cash flow crisis. (The Mayor did offer some good news, namely he is hopeful he can make an announcement in the next week concerning a new agreement with Brown University, and the City is in discussions with Rhode Island Hospital about providing nursing services as an "in kind" service to relieve some of the City's budgetary costs.)

The budget problem and the cash flow problem combine in important ways. The City's budget issues have developed over many years, and it has been possible in prior years to "kick the can down the road," by selling assets, accounting gimmicks and the like that have produced extra cash to treat the symptom of budget deficits without curing the problem that caused the deficit. This year-by-year approach was convenient, but unwise. If the City runs out of cash (or access to cash), however, this alternative will no longer be available. The pension system is the largest force that is driving our city towards insolvency – it will not be possible to make the City's finances sustainable without achieving major savings in this area. The City has entered into negotiations with retirees and is seeking support from the General Assembly to take action in the absence of an agreement. Without an agreement, the

retirees will likely challenge any City action in the State court system. If the courts uphold the City's solution, we have a viable long-term environment that we can reach with some short-term measures to address cash flow. If, however, the State courts strike down the City's attempted solution, then bankruptcy court could be the only option left. One important "test case" currently in the courts is reviewing the City's attempt to move retirees into Medicare. While this does not directly involve pensions, the legal issues are similar. The Superior Court is scheduled to hold a trial next month, and likely will issue a decision in June. Whichever side does not prevail in the Superior Court likely will appeal to the Supreme Court, which will issue a decision during the following 12 months.

In short, it appears today that the City will adopt various measures to manage cash flow over the next several months to give us some time to achieve the least disruptive long-term structural solution. I believe the Mayor is methodically working through these possibilities, understanding that while bankruptcy court will be the last of these options, it will be necessary if the others are not successful. I believe this is a reasonable strategy, and I will do my best as a Council member to support our clear and timely progress towards a long-term solution in whatever form it takes.

Thank you for your patience, time and interest.

Sincerely,

A handwritten signature in blue ink that reads "Samuel D. Junier". The signature is written in a cursive style with a large, stylized initial 'S'.