



June 12, 2016

Dear Fellow East Siders:

I hope you had a chance to visit the Festival of Historic Houses sponsored by the Providence Preservation Society yesterday, or try to go next year. It showed off a beautiful neighborhood in its best light. This week's Ward Letter discusses the City Council's votes this week on the budget.

The City Council's Finance Committee completed its review of the budget last week, proposing changes in both the tax levy and the expenditure budget. The package will now go to the City Council for review at meetings on Monday and Thursday nights.

The budget calls for a tax increase of over \$12 million, close to the baseline maximum amount allowed by the State's Paiva-Weed law. If approved, the budget will increase the average homeowner's tax bill by 5%, when the lower rate and higher average valuation are combined. In assessing the tax bill and the budget, I consider whether the tax increases can be justified – do they pay for “must have” vital, necessary programs, or instead do they pay for programs that, while “nice to have,” are not truly necessary. In making this determination, I also am considering the Mayor's [10-year fiscal study](#) which identifies the necessary changes to move the City onto a sustainable path.

The Mayor's budget includes \$1 million in additional infrastructure funding, which likely will be spent on deferred maintenance, such as failing sewers and bridges. I believe this portion of the increase is justified. The City Council's changes to the budget also addressed some important, affordable programmatic initiatives, including an additional \$100,000 for the Providence Community Library and \$15,000 for middle school sports.

Other budgetary increases raise questions. To be sustainable, the City's budget must be limited to 2%-3% annual growth, and several line items exceed this benchmark. For example, the 2-year increases in the City Council and Mayor's office budgets exceed 30% and 70%, respectively. The City Council's budgetary growth is especially problematic, as the Finance Committee has chosen not to review that budget for the past two years, creating a double standard where the City Council sets rules all department budgets except its own. Had these two line items stayed on a more sustainable 2%-3% annual growth path, more than \$2 million of the tax increase could have been avoided.

I also am concerned about another \$1 million program the Finance Committee added to the Mayor's budget on the final night of its deliberations. It would provide each member of the City Council with discretionary authority over a \$67,000 account for what has been described as infrastructure improvements, such as sidewalks, schools and streets within each City Council ward. I question whether this new \$1 million program is a wise use of taxpayer money, when the long-term goal is to reduce the structural deficit and place the City's finances on a sustainable path. I also am concerned about the lack of transparency and accountability of these discretionary accounts. Three weeks ago, the City Council ordered an audit of its contingency accounts, and last week, the General Assembly reduced in half its legislative grant program. I think this program represents a step backward for the City Council and the City at a critical time.

There also is the issue of reserving adequate funds to resolve the dispute with the fire fighters. The Internal Auditor released a report estimating that the City could have to pay up to \$9 million for the first year if it loses the lawsuit. We are now entering the second year, which could increase the potential exposure to more than \$15 million by the end of the year. The current fiscal year is almost over, and the Fire Department did not produce savings to hold as a contingent reserve; instead, the department ran over budget. Next year's budget includes an appropriation of \$9 million for overtime/reserve; however, this year's overtime is projected to approach or even exceed that level, meaning the budget likely creates no reserves. The City Council added a \$1 million line item in the City Council members' budget ostensibly for such a reserve, but there are no formal restrictions or “checks and balances” on how the City Council can spend the money if it chooses, so even this modest reserve is not guaranteed.

The Mayor and City Council leadership announced their joint support for this budget, which will be heard on Monday night. At that meeting, I will raise these concerns and ask them to improve it.

Sincerely,