SAM ZURIER Our Councilman Ward 2 News

July 31, 2016

Dear Fellow East Siders:

As the City Council moves towards its summer recess, this week's letter will discuss the revised bond ordinance the voters will consider in November.

As noted in my last two weekly letters, the City Council's Finance Committee (of which I am not a member, but whose meetings I attend) conditioned its approval of the overall program on the allocation of $22.5 million of the bond proceeds into 15 accounts of $1.5 million per City Council member to spend at their discretion. The Finance Committee Chair claimed this would "take the politics out of" the program, when past history demonstrated the exact opposite. The Providence Journal referred to the Finance Committee's proposal as a $40 million cookie jar and urged Providence voters and taxpayers to call the Mayor and City Council members to prevent catastrophe. Thankfully, many of you stepped forward and did just that, and on Thursday night, the Finance Committee finally withdrew its demand for discretionary accounts. Instead, the Finance Committee and the administration reached agreement on a new version that would increase significantly the control of the City Council and the City Treasurer on the ultimate spending plan, without specifying the content of the plan at this time.

More specifically, the bond ordinance approved Thursday night will (if passed by the City Council next week) authorize a bond question to be placed on November's ballot, but creates another layer of City Council approval before the voters can learn the spending plan for the bond proceeds. According to the ordinance, a spending plan has to be prepared by the Finance Director and City Treasurer, and approved by the City Council prior to the vote on the bond. This cannot happen before September, as the City Council will not be meeting before then. In contrast, the Taveras administration's consulting engineer prepared a priority list of repairs prior to the City Council's approval of that bond in July, 2012, and the administration publicized the list when engaging the voters prior to the election. At this point, we do not know what projects the City Council and the administration will jointly approve in September or October, and it is not possible to ask for the voters' approval until they know what is on the list.

The Finance Committee could have avoided this problem by holding hearings during July on the administration's spending plan. The administration brought its department heads to each of three Finance Committee meetings; however, the Chair of that Committee did not permit them to discuss the bond; instead, all the Committee's time was spent on discretionary accounts and other ways that the City Council members involved could assert control over the how the money was spent. By fighting over a prerogative (individual accounts) that would have been disastrous and which it ultimately abandoned, the Finance Committee deprived the City Council and the taxpayers of the opportunity to hear the administration's proposals. Had the Finance Committee taken a more positive approach, the members of that Committee could have vetted and shaped the proposal in a public forum for the benefit of the City Council and the taxpayers. Instead, the current bond ordinance will remain a "black box" until sometime this Fall.

The new ordinance also mistakenly rules out the option of bond anticipation notes. The purpose of these notes is to match the pace of borrowing with the pace at which the money will be spent. The City will not be able to spend more than $10-$15 million per year on infrastructure projects due to constraints on engineers, qualified contractors and supervisors. As a result, it would be more efficient to borrow portions of the $40 million over a period of years, rather than begin paying financing costs on the entire amount the first day. State agencies and other cities and towns accomplish this by borrowing money today against a larger bond issue that will be taken out in a year or two through what is called a bond anticipation note. By ruling out this option, the Finance Committee increased the carrying costs of the bond, and thereby reduced the amount of money to spend on public works improvements.

To conclude, the revised bond ordinance is an improvement over the previous one; however, it is not yet clear whether it will result in an infrastructure program worthy of the voters' support in November.

Sincerely,

Samuel D Zurier