

July 5, 2015

Dear Fellow East Siders:

I hope you had an enjoyable Fourth of July. This week's letter discusses the Charleston church shootings, the City's capital budget and the City's operating deficits.

Although Charleston, South Carolina is almost 1,000 miles away, many of us had an immediate and visceral reaction to the news of the tragedy at the Emanuel A.M.E. Church two weeks ago. I was reminded of Reverend Martin Luther King, Jr.'s Letter from a Birmingham Jail, in which he stated, "Injustice anywhere is a threat to justice everywhere. We are caught in an inescapable network of mutuality, tied in a single garment of destiny. Whatever affects one directly, affects all indirectly." With that in mind, I introduced a [Resolution](#) the City Council unanimously approved last Thursday to fly the City's flag at half staff to express our solidarity with the congregants of that church. I will be working with the Mayor's office to recognize this event properly.

Last Wednesday, the City Council's Bond Study Commission reviewed a [Draft Report](#) and [Exhibits](#). The Commission will meet again this Tuesday (July 7) to review a second draft of the report for possible approval, to be forwarded to the City Council. The final Report will review (1) the basic principles of bond financing and credit ratings, (2) the City's current inventory of bonds and the projects they funded, (3) the City's current proposals for future capital projects and (4) the City's anticipated future borrowing capacity as current bonds are paid off. The Report will not recommend one project over another; instead, it will provide the Mayor and the City Council with the information on which to base its recommendations. The next opportunity for voters to approve general obligation bonds will occur at the November, 2016 general election, and I believe this Report will help us make the best possible choices at that time.

This past Wednesday (July 1), the City began a new fiscal year. Regrettably, the City began the year with a budget that already is out of balance, as the Mayor's budget projected \$1.5 million more in State aid than the City actually received. This shortfall became clear when the Rhode Island House Finance Committee approved a budget on June 9; therefore, this deficit could have been avoided. (In fact, I joined a group of City Council members who tried, unsuccessfully, to amend the budget to eliminate this deficit.) Also, the administration did not fully fund last year's pension contribution by June 30 (which was not a surprise); however, the administration has not put forward a realistic plan for when the balance will be paid or what additional interest payments the City will remit, as recommended by its actuary, to make the fund whole for this payment delay. Because the amount of the deficit is small relative to the budget's overall size (\$696 million), the administration has time to "manage" the deficit; however, it is not an easy task. For example, in the recently concluded fiscal year, the administration has offered a preliminary projection of a \$800,000 "surplus," which actually is \$2.4 million short of the "rainy day fund" line in last year's budget. This puts greater pressure on the administration to meet this year's budgetary "rainy day fund" amount of \$4.3 million. These funds are critical to the building a "cushion" of reserves for future events. I think it would have been better policy to address these budgetary flaws before the budget was approved; however, the administration will have the opportunity to address these problems in the coming months.

Sincerely,

