



**Finance Department**  
"Building Pride In Providence"

Mr. Matthew M. Clarkin, Jr.  
Internal Auditor  
City of Providence  
25 Dorrance Street  
Providence, RI 02903

July 30, 2015

Dear Mr. Clarkin,

I am writing in reply to your letter of July 28, 2015, requesting responses to questions that you have presented regarding the City's 4<sup>th</sup> Quarter FY2015 Budget Report to the State of Rhode Island – Division of Municipal Finance.

The report represents the most accurate information available at the time of the filing; however, it is also an unaudited document, which is subject to changes during the closing out (60-Day) period prior to the commencement of our year-end audit in September.

For ease of comprehension, I have styled our replies, in bold italics, immediately following each question and in succession of each question.

**Revenues**

1. Property Taxes (Prior Year): It is projected that an additional \$2.27 million in prior year property tax revenue will be collected during the 60-day period (July-August). Is this projection reliant upon any large delinquent payments being made? Please provide details concerning the projection.

*The projection for back taxes is comprised of the Year-To-Date back taxes, per the Tax Collector's daily spreadsheet, which equals \$9,370,214. In addition, there are three confirmed receivables that are expected during the 60-Day period. They are Park View Associates \$795,000 (Payment at 100% by court-appointed receiver), Eagle Square Associates \$46,826 (payment to be made by owner from project refinancing), and PRA properties \$97,370 (regarding tax-sale properties pending title clearance.)*

2. Fines & Forfeits: Through twelve months (July 1, 2014 – June 30, 2015), a total of \$4.03 million in revenues under the category of Fines & Forfeits was collected. Please explain the year-end projection of \$4.85 million for this revenue.

*The remaining \$800,000 represents anticipated revenue over the 60-Day period, which on average, based upon prior years, has been approximately \$400,000 per period in July and August.*

3. Public Safety: What revenue in the Public Safety Departmental category is projected to increase by approximately \$103,000?

*The \$103,000 represents additional revenue due from State of RI, Rhode Island Emergency Management Agency (RIEMA). This represents the balance of the annual grant of \$150,000. We have received an additional \$91,484 since the date of our report, leaving us \$11,527 within budget range.*

4. Department of Public Works: Through June 30<sup>th</sup>, total revenue for the Department of Public Works was \$3,014,776. Please explain the year-end projection of \$3,446,023 for this department.

*There were RI Department of Transportation (DOT) receivables that totaled \$612,803, which we have currently received \$181,556, which leaves a balance of \$431,247 to be received. We expect to receive that amount in full.*

5. Recreation: Please explain the source of the \$66,000 revenue received by the Recreation Department.

*The \$66,000 in the Recreation Department is for payroll reimbursement.*

6. Anticipated Reimb from FEMA: Has FEMA provided the city with a commitment to reimburse for snow expenditures? If yes, at what percentage will FEMA reimburse and when is the actual reimbursement expected?

*The State of RI was declared a presidential disaster area for the storms that occurred on January 26<sup>th</sup> and 28<sup>th</sup>, 2015. Based upon information compiled by Providence Emergency Management Agency, we are expecting a 75% reimbursement on \$620,491, representing City-only, qualified-expenditures, which calculates to \$465,368. The breakdown is as follows:*

DPW	430,883.94
Parks	61,825.65
PEMA	8,948.05
Police	24,131.08
Fire	79,592.06
Communication	<u>15,111.17</u>
Total	620,491.95

*Although we have been given high confidence of reimbursement at the 75% rate by our local Providence Emergency Management Agency (PEMA) officials, we have not been given a definitive time-line of reimbursement.*

7. Pmts from Colleges & Hospitals: Actual revenue for this line item includes approximately \$1.6 million from unbudgeted payments by colleges and universities on "Transitional Parcels" under the 2003 MOU. What budgeted payments have yet to be received, and what additional payment(s) is expected that will add \$250,000 to the current actual revenue of \$9.66 million?

*A receivable has been established in the amount of \$250,000 from Care New England, and we are currently in pursuit of this receivable.*

8. In Lieu of Taxes on Tax Exempt Prop.: Please provide details on the source of this \$34,250 revenue.

*The \$34,250 is comprised of three components: A summarized transaction of \$15,500, 261 LLC for \$18,000, and Providence Monthly Meeting of Friends for \$750.*

9. Transfer from Fund 252: Through twelve months (July 1, 2014 – June 30, 2015), a total of \$950,000 of Police Detail revenue has been recognized. In addition, the current total cash balance of Police and Fire Details is approximately \$357,000. Please explain the year-end projection of \$1.7 million for this revenue.

*Based upon prior years' 60-Day revenues, we are projecting a similar trend during July and August, with expectation resulting in at or near budget.*

10. Transfer from Fund 283: Through twelve months (July 1, 2014 – June 30, 2015), a total of \$3.5 million from Fire Detail revenue has been recognized. Please explain the year-end projection of \$4.9 million for this revenue.

*Based upon information from Comstar, provided by Michael O'Toole, Chief of Operations-Fire, the amount of EMS revenue has been reported at \$4,905,629 for the year-end 6/30/2015.*

11. Transfer from Fund 856: Please provide details concerning the source of the \$284,300 under this revenue category.

*The \$284,300 figure is comprised of two events: Sale of Rhode Island College (RIC) land \$250,000 and Narragansett Bay Commission (NBC) easements for \$34,300.*

#### Expenditures

12. Departmental Expenses: Actual expenditures through June 30<sup>th</sup> shown in the report mirror year-end projections for the departments listed. Have all departmental payables been made through June 30<sup>th</sup> for outstanding commitments and encumbrances?

*We have closed out all department purchase orders and encumbrances from June 30, 2015. It is possible we may see some additional trail expenditures during the 60-Day close out period.*

13. Public Property/Purchasing: Actual expenditures through June 30<sup>th</sup> for this department are \$3.9 million but the year-end projection is \$3.4 million. Please explain the \$500,000 reduction to the year-end projection.

*We have received and deposited (7/28/2015) a check in the amount of \$500,000 to offset school related expenses paid for by the Department of Public Property.*

14. Heat, Light & Power: Total expenditures under this category are shown as \$7.5 million. Have all payments through June 2015 been made? Please explain the \$200,000 reduction to the year-end projection (\$7.3 million).

*We are expecting retroactive credits, due to an overbilling on payment, to be applied to FY15, in a range close to \$300,000.*

15. Transfer to Public Safety Inspection: Please provide information concerning this expenditure (\$143,948).

*This represents the residual amount due under the sale of Air Rights Easement of Veterans Memorial Auditorium. Transfer from Fund 856 to the General Fund in FY14 and subsequently transferred to Fund 660 (Fire Prevention Fund) to be used to offset Fire Plan Review Expenses.*

16. Annual Required Contribution (ARC): The complete ARC was not made as of June 30, 2015. Therefore, an additional interest charge will be required on the ARC in order for the city to achieve a 100% contribution. It is my understanding that based upon the city's current payment schedule for the ARC that the interest will be at a minimum \$400,000. An additional \$400,000 to the pension contribution is not shown in the report. Please explain.

*We have not determined the final additional interest impact of our pension plan corrective action plan to pay additional sums earlier than previous years. It is our hope to reduce the projected interest of \$1.6 million to approximately \$400,000. In light of this item being newly discussed, and introduced during the 3<sup>rd</sup>/4<sup>th</sup> quarter of FY15, and not provided for in the FY15 budget, we will be seeking guidance in this area.*

Also, is it still the Administration's intention to pay the additional interest charge?

*Yes, at this time, it is our intention to pay the additional interest charges; however, we are planning to review this matter with our outside pension actuary Segal Consulting, to arrive at the proper reporting sequence with regard to the additional interest carrying cost.*

I trust that we have provided you with sufficient information and should you request additional information kindly do not hesitate to ask.

Sincerely,



Lawrence J. Mancini  
Finance Director

CC: Tony Simon, Chief of Staff  
Brett P. Smiley, Chief Operating Officer  
Sara Silveria, Deputy Finance Director  
Council President Luis A. Aponte  
Councilman John J. Iglizzi, Chairman Finance Committee  
Ms. Yvonne Graf, Chief of Staff City Council  
Mr. James J. Lombardi, City Treasurer/Senior Advisor to City Council