



Mayor David N. Cicilline's
Budget Address FY 2009
May 1, 2008

Honorable Members of the Providence City Council, ladies and gentlemen:

Tonight we gather together at the center of our great and vibrant city.

There's little league at O'Neill Field in the West End.

The customers are starting to stream in to Angelo's.

Joggers are working off the day's stress along Blackstone Boulevard.

Residents from across the state are heading home from work or coming in for a Thursday evening on the town.

Parents are helping their children with homework in Mount Pleasant.

And old friends are gathered in a back yard on Smith Hill for a cookout.

Providence is alive with activity.

But at the same time, many Providence families have real anxiety about their financial security.

All across the nation there is increasing difficulty in affording the basic necessities of life, with a surge in the cost of housing, food, transportation and fuel.

The fallout from a failed administration in Washington is historic, with a national recession, a foreclosure crisis, an escalating deficit, and significant cuts in federal funding to the states.

All of these have contributed to our state government's fiscal crisis, which, in turn, is leading to major shortfalls at the local level.

It might be said that these costs take on different personalities as they make their ride down from Washington. At the federal level, they represent intellectual policy challenges. At the state level, they represent moral and political challenges. But at the neighborhood level, they represent survival challenges.

Members of the City Council, our choices in this budget process must reflect our unique situation. We must make cuts, but in these times of strain, our residents can't afford a crippled government. In fact, they need the power of local government to work for them now more than ever.

They need our police to be even more effective as economic stresses create the conditions for increased crime and violence.

They need us to help keep our neighborhoods clean and free of litter, graffiti and those things that can contribute to a psychology of despair.

And they need us to keep attacking the foreclosure problem with programs to help prevent new foreclosures and to get neighborhood families back in

homes, as well as aggressive efforts to protect vacant homes from vandalism.

In addition to these pressing needs, they realize that we have something very special in Providence. They understand that the momentum of our great city has accelerated in recent years, and they expect us to seize the opportunity that comes with that.

We cannot let the current financial situation undermine the investments we have made and the priorities we have set that are necessary to sustain our continued growth and progress.

So the job before us is complicated. We have to absorb a serious shortfall. We have to deliver important services. And, at the same time, we have to protect our momentum.

The challenge of this budget is to balance these forces -- to mitigate the short term damage of the current environment in the most responsible way possible. And to do it in a way that guarantees a prosperous and healthy future for Providence families and our city.

Members of the City Council, the budget I submit to you this evening meets that challenge.

It is a budget that requires sacrifice, but it also sends a very important message: Providence will weather the storm, and our future remains bright.

We know that economic times are growing more difficult for many Providence families. But for some, the pressures are pushing them to the breaking point. For some families, the threat of prices rising any higher is putting them at serious risk. That is why, as my first request to you in the presentation of this budget, I am asking that you join me in providing real help to working families who need it most.

I am proposing the Working Family Property Tax Credit, targeted to single-family owner-occupied homes valued under \$200,000 dollars and multi-family owner-occupied properties valued under \$275,000 dollars.

Under this proposal, approximately sixty-five hundred homeowners will see a credit on their tax bill for \$250.00. That will amount to a much-needed property tax cut.

Senator Goodwin and Majority Leader Fox have already agreed to sponsor the legislative modification that will allow us to enact this initiative.

It is not only the right thing to do for our families, but it is the right thing to do for our city. Helping eligible families through these tough times means they will be able to continue to contribute to our economy and to the stability of our neighborhoods.

Ladies and gentlemen, in past years we had difficulty working on a budget before the General Assembly had finalized its own process. This year is different. The governor has proposed severe cuts and we are fully expecting that the legislature will enact severe cuts. Revenue estimates could change,

or legislation could result in more revenue, but we generally believe we know what's coming our way.

As residents are aware, the state has decreased its share for local education for several consecutive years now, and Rhode Island is either first or second out of the fifty states in terms of reliance on the property tax to pay for education. This year we anticipate that the state's actions will make us more reliant on property taxes to fund education.

The state budget also predicts major cuts in payment in lieu of taxes – or PILOT – funds.

PILOT is a system designed to give cities and towns fair compensation for the value of universities, hospitals, and other entities that generate tremendous income and sales tax revenues for the state but provides no local property tax revenue, even while they consume considerable local services.

In recognition of the costs of services provided by cities and towns that host hospitals, universities, and other institutions, the state reimburses cities and towns with 27% of what they would have received if the institutions were property tax payers. Cities and towns have long argued that that is an insufficient number. This year, we expect that amount to be reduced even further -- by about 7%.

Funds returned to cities and towns in the form of General Revenue Sharing are also expected to be the subject of unprecedented cuts this year.

This budget predicts a cut of 15% compared to what the General Assembly provided for the current fiscal year.

Along with cuts from the state, the City faces its own longstanding financial challenges as well. The major drivers of budget growth – health care, pension, and debt service costs – have been significantly slowed by the actions we have taken together, but their costs continue to compound relentlessly.

To their credit, state officials have recognized these structural challenges in municipalities across the state. I am greatly encouraged by legislation that would offer tremendous help in addressing them, and in reconciling employee post-retirement benefits with the realities of what residents can afford.

Still, our budget should not count on those modifications, and this budget does not include them. But whether or not those changes are enacted, difficult cuts must still be made.

Cuts are inevitable in this environment, so it is our job to make sure that they are responsible.

The most difficult of all of our cuts are reductions in the school budget. The healthy development and education of our children is the first priority of this city. Because school expenditures represent 50% of the entire budget, it is impossible to avoid cuts to school spending. We will continue to push hard for a predictable and equitable statewide school funding formula – missing

from Rhode Island for 15 years now – but we cannot avoid the realities of the present.

I cannot responsibly propose a cut to any academic programming. These programs have already been reduced drastically. Therefore, in this budget, I propose a reduction in the operational side of the school budget by three million dollars. These savings will be achieved by overhauling our crossing guard system, our transportation system, or both, but will not reduce academic programs for our children.

I have begun a discussion with union officials specifically about crossing guard duties. I will never compromise the safety of our children, but this budget year has demanded another close look at more cost-effective ways to make sure our children are transported and guided to school safely.

I will work hard with union leaders to restructure our agreement so that costs fall in line with contracting the services privately.

I have already communicated this to the union leadership and explained that it is certainly my preference to retain our current employees.

I am aware that including this in the budget creates some anxiety for our valuable part-time employees, and for those of us who know them and their good work. But given what we know about the effectiveness of the private option, we have no choice but to press for change. Retaining the existing structure would effectively be choosing a jobs program that favors a few over what is better for our school children and our tax payers, and we can never make that choice.

Along these lines of difficult decisions that will have to be made this year, I am proposing as part of this budget an ordinance that transfers the functions of the Police External Review Authority to the Human Relations Commission.

PERA is a young agency with its roots in the Police Department scandals of the late 90s and early part of this decade. It was created with the best intentions – to ensure that residents have a resource dedicated specifically to supporting them on civil complaints against the police force.

Since its creation in 2002, it has worked relatively few cases, while the costs associated with it have been significant. At the same time, the Police Department has doubled the staff of the internal affairs division, which has earned a reputation for upholding a strict code of conduct among police officers. They have shown that they can discipline their own when dishonor is brought to the badge.

In addition, I am confident that the Human Relations Commission has the capacity to perform those functions and effectively respond to the current level of activity. Having said that, the City, of course, can reestablish PERA in its current form at any time it deems necessary.

We are also going to have to make difficult reductions to our city's important grants program with a 10% across-the-board cut. These agencies perform extremely important services to residents, and our funds can be critical to the mission of these important organizations. This is a difficult cut

and is an example of the kind of tough sacrifice that must come from every corner.

At my direction, every city department has come forward with difficult, additional cuts. Every departmental line item from office supplies, to fuel usage, to maintenance, was scoured again this year for potential new savings. In this atmosphere of a statewide budget crisis, everyone is absorbing some of the burden.

Along these lines, I will certainly make no exception for the Mayor's Office and for all management employees. We should always lead by example.

That is why this budget includes a four-day, mandatory furlough for every management and non-collective-bargaining employee in the city. This will be the second year I have directed this action. A furlough will also be one of the subjects on the table in our discussions with our city's labor unions as we work together to determine what sacrifices they will make in these tough times.

In pursuit of my goal to deliver necessary government services while absorbing cuts from the state and limiting costs to our hard-hit residents, we also have to factor in an additional complication: The legislation passed last year known as Senate Bill 3050.

This is the law that places a cap on the annual increase of the property tax levy – set at 5% for the coming fiscal year. Finance experts have made the point that the law actually encourages cities and towns to raise the levy up to

the level of the cap each year. That is because raising the levy by anything below the cap represents lost flexibility in future years.

For instance, if a hypothetical city with a 100 million dollar budget needs 102 million next year, it should simply raise the levy by 2 percent. But under Senate Bill 3050 it's not that simple.

If that city takes a responsible look at the long-term economic horizon and sees even a remote possibility for greater need in the future, it must tax at a higher rate. If it thinks there is a scenario where it could need as much as 108 million dollars the following year, it wouldn't be able to get there. That's because it would require a 6% increase the next year, which is more than the cap allows.

That fact, combined with the overall reliance on the property tax in Rhode Island in a time of budget crisis, is why we are seeing most cities and towns proposing increases in their levies to the cap or very near it.

The budget that I propose tonight tries to find the best compromise among all of those competing forces. It proposes a 3.75% increase to the levy, which because of growth in the tax base will translate to a tax increase of slightly less than that.

Even though that is less than the current inflation rate of 3.98%, I fully understand the hardship that any increase causes. But it would simply not be responsible to propose a zero tax increase in this budget climate.

Families who receive the Working Family Property Tax Credit will have no tax increase and, in fact, most will see a reduction in their property taxes.

Any discussion of municipal property taxes in Providence eventually finds its way to the subject of our tax exempt institutions. The truth is that it will never be possible to pinpoint exactly what constitutes fair compensation from them to city government.

On one hand, we know that tax-exempt institutions make up 36% of the assessed value in Providence and don't pay property taxes. On the other hand, they represent an enormously important part of our economy, and contribute significantly in income and sales taxes to the state. They also make voluntary payments to the City to support the cost of services.

There will always be push and pull on that subject, but there are some areas where it is clear that the equation is out of balance.

Currently, the maintenance of our sewer lines and fire hydrants are fully funded by city tax payers rather than by all those who consume the service. That means property tax payers are effectively subsidizing the use of those systems by our hospitals and universities, who are some of the largest consumers. This is unfair, and this budget proposal would change that.

Honorable members of the Council, the principle of fairness is one that must guide all of our decisions. And those having to do with the benefits awarded to our valued employees can be no exception. Our employees deserve fair wages and good benefits, but they must be affordable to tax payers.

This budget proposal includes savings in healthcare and pension costs.

I commend you for passing important pieces of pension reform already. You have done a real service to our residents. But the most significant pieces are still to be enacted. For the sake of fairness, we need to finish the job of pension reform.

In every budget conversation, I try to make the point that looking at our resources only provides a partial picture of the services that will be delivered to residents. It doesn't take efficiency into account – how well we use what's available to us.

We have focused intensely on improving productivity and getting more done with less. Department heads and city employees have met this challenge. In fact, since taking office, this administration has cut nearly 450 jobs. In this budget, in order to achieve more of the savings that come with increased productivity, I am proposing significant consolidation of services.

Honorable members, a city of our size does not need two separate court systems. This budget calls for merging Municipal Court with Housing Court to create a single, more efficient entity.

Conditions being what they are, we cannot afford fewer housing judges. The workload for our municipal judges also continues to be heavy and we need all of them as well. But we can capture savings by combining administrative functions and reducing support staff.

This budget also reflects a forthcoming consolidation of several back office functions of city administration and the school department. Significant savings can be captured by merging human resources and a number of finance-related functions without any loss of effectiveness. This is a measure we have been planning for some time, and we are now ready to move forward.

It's a common sense measure that's good for taxpayers and, because it frees up funds at the School Department tied up in administration, it's good for our kids too.

But doing things better and smarter also means acting in good conscience. There are imperatives that are greater than those presented by tough economic times. Based on what we know about global climate change, we have a moral obligation to future generations to help change the practices that have given rise to this situation.

We have worked together toward that end. We have purchased carbon credits to offset our emissions of global warming gases. We are transforming our fleet. And we have incorporated sustainability into our long-term planning efforts.

In fact, I think you will agree that one of the best investments the City has made in recent years was in something green – our residents' beloved Big Green Cans. You'll remember that in addition to their convenience and

rodent-prevention value, we purchased them as part of a long-term effort to increase recycling and reduce waste in our city.

Beginning with the next calendar year, we will implement the next step in that process. We will offer new recycling bins to every household that needs them, but we will expect something in return.

Providence currently recycles at the lowest level in the state – a disappointing 10.6%. We are going to challenge our residents to recycle at the highest levels in the state. We are going to try to nudge ourselves toward this goal using an incentive system.

Any trash generated by residents that exceeds the capacity of their Big Green Cans will result in an assessment. That means residents who carefully recycle all eligible plastic, glass, metal, and paper will never have to pay. For others, we expect that a bill or two will encourage them to change their behavior.

Although this program will generate revenue, it is revenue that we hope will decline over the long term as we, as a city, improve our recycling efforts. And for the time being, it is revenue of the most responsible kind.

Honorable members, we are gathered at the center of our great and vibrant city tonight with some complicated challenges before us. We have to absorb our share of the state budget crisis and a serious shortfall. We have to keep making government work for our residents. We have to preserve and protect

our future prosperity. And we have to do everything in our power to minimize any increased costs to overburdened property tax payers.

This budget addresses those challenges, but we will have to work hard to make sure that the more difficult pieces of it are implemented. I look forward to working with each of you throughout this process.

The work we will do together in the next sixty days will be critical to mitigating the damage of the statewide budget crisis. But even more important, is the work we have already done together in the last five years.

It is thanks to that work that we are in a position to manage through these times. Without it, this budget crisis would be catastrophic.

We should not forget that we have restored our bond ratings. We have shored up our reserves. We are meeting our annual pension obligations. And we have made inroads with our union partners toward 21st century contracts.

We are fighting crime with the lowest rate in 30 years even while other cities face emergencies. Development continues in our city and more young entrepreneurs are building the next generation of businesses to expand our economy. Providence is becoming a premiere East Coast destination. Residents are volunteering and taking ownership of their neighborhoods like never before. Our employees continue to work hard on behalf of our residents.

Ladies and gentlemen, we are facing a major challenge but Providence is up to it.

If we can address the competing interests and complicated forces responsibly – if we can bring all parties together in the spirit of unity and shared sacrifice – if we can continue to aspire to our ambitious long-term goals for our city – we will not just get through. We will emerge stronger than ever.

Thank you & good night.