



Executive Office, City of Providence, Rhode Island

DAVID N. CICILLINE
MAYOR

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For Immediate Release

Contact: Karen Southern, Press Secretary
401-421-2489 ext. 752

NEWS RELEASE

CICILLINE PRESENTS 'NO TAX INCREASE' BUDGET

Smallest spending growth in two decades

Mayor delivers "leaner, smarter, stronger" budget & reaffirms lower business & residential tax rate

PROVIDENCE – Mayor David N. Cicilline delivered a \$563 million budget tonight that promised the city's smallest spending growth in 20 years and no tax increase. This was his second annual budget, and it was presented before the Providence City Council to a crowded audience of public and community officials. The FY 2005 City of Providence budget – which actually consists of four ordinances: compensation, appropriation, classification and levy - offers an increase of just 1.7 percent, the smallest of its kind since 1984.

Cicilline said his budget holds the line on spending, imposing cuts in nearly all major departments and level city-funds its school department. At the same time, he noted, it improves important, basic services.

"This is a lean and realistic budget that provides the services we need to provide, at a price we can afford," the Mayor said. Within the new budget, 46 positions will be eliminated at a savings of \$1.5 million, and a continued city-wide wage freeze will be imposed.

The 1.7 percent increase over the FY 2004 budget is less than the rate of inflation and "reflects our efforts to create a leaner City government," the Mayor noted. The School Department budget was level-funded at \$288.3 million. He said that expenditure rises for health care, pension costs and debt service – driving expenses incurred under previous administrations - were required. Those three items totaled \$12,919,904 but the overall increase to the City budget will be held to \$9,730,452.

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Mayor Cicilline said the City continues to strive to reduce the cost of government, while providing more and better services. The budget does not include any pay raises for city employees and includes an anticipated change to employee health care. He also commended the School Committee, Superintendent and staff for doing a “commendable job in identifying efficiencies and reducing spending,” but said he would level-fund education and aggressively seek additional state aid.

The Mayor thanked the City Council for their efforts and said he looked forward to continuing to work with the City Council “to restructure city government to make it leaner and less costly, to seek new and better ways to conduct the business of government and to strengthen the services we provide to our citizens.” He said the budget is “properly aligned and responsive” to the residents of the city.

“We began the fiscal 2005 budget process with a budget gap of nearly \$39 million,” he said. “We have taken the necessary steps” to close that gap and rebuild the city’s fiscal foundation.

“With strong leadership and the guidance of experts and the five-year strategic financial plan, we are taking the steps necessary to strengthen our city: including expanding and diversifying revenues (as called for in the PFM & RIPEC studies;) increasing our ability to capture market savings on debt service costs; controlling personnel and spiraling health care costs, and creating a pension review committee.

“Some things remain outside of our control, however, and so we must budget for them – rising fuel costs, increased homeland security mandates, the costs in the Board of Canvassers associated with a presidential election,” the Mayor continued.

Only two major departments – Police and Public Properties - increased and the latter to keep pace with rising fuel costs for city buildings and vehicles. The Police Department will receive a 1.7 percent increase.”

The Mayor noted in his budget introduction that state aid and legislation would be aggressively sought to offset lost revenues and growing costs, including a hotel tax, transfer of property to the Narragansett Bay Commission, a storm water run-off fee, a hydrant fee and increase in the fees in the Recorder of Deeds office. Additionally, the City is seeking a rate of return on our Water Supply Board operation, which would net \$4 million annually to the City, and allow Providence to receive a financial return for owning and operating a system that supplies 70% of the state.

The Mayor called for additional state aid to education, and an increase in the Distressed Communities funding. Local revenue enhancements would result from installation of red light cameras. There is no tax increase in this budget,” Cicilline said.

Structural issues are driving the city's costs, the Mayor said, and the budget allocates as follows:

	<u>FY 2004</u>		<u>FY 2005</u>	
Education	\$298.3m	52.1%	\$288.3m	51.1%
Public Safety	84.3	15.2%	81.5	14.5%
Other depts.	68.5	12.4	68.1	12.1%
Debt service	46.8	8.4%	51.3	9.1%
City pension	32.5	5.8%	36.9	6.5%
Medical	<u>33.8</u>	<u>6.1%</u>	<u>37.8</u>	<u>6.7%</u>
Totals	\$554.2m	100.0%	\$563.9m	100.0%

The City's increased contribution in the pension was to 90% of the amount necessary to fully fund the pension plan; health care and debt service increases reflect rising costs.

The budget now goes to the City Council for approval. After state aid is determined and action taken by the Legislature on revenue bills, and property appeals have been finalized, a tax levy will be set, and the budget set sometime in late June or early July.

"Leaner, smarter, stronger. That's the message of this budget and that's the goal of this City's approach to its finances. Smaller government is not always better government but it can be better government, if it is done right," the Mayor concluded.

COVERAGE INVITED



Mayor's Budget Address For Fiscal Year 2005

April 29, 2004

Good evening. I would like to thank the Providence City Council, as well as all the citizens who are here on this important occasion, as I present my budget address. I am honored to be with you to introduce my budget for Providence's next fiscal year.

Three weeks ago, Providence homeowners received a letter from their city government. For nearly everyone, it contained powerful news. The value of their home – probably their most precious asset – had increased dramatically. The average gain was a phenomenal 60% in just three years. And it was not a limited event. The market smiled on *all* of Providence. Not a single neighborhood was left behind.

But that letter carried other implications too. There is another side to that boost in value, and that is taxes. Unless homeowners are planning to sell their homes, they may have to wait a while before they feel the effect of that new value. Meanwhile, taxes come to call every year. Some homeowners may even be wondering if they were actually better off with a less valuable home. After all, what good is a rise in value if costs rise just as fast?

It's a good question. We who are the financial stewards of this city need to be asking ourselves the same thing because the city is in a similar predicament. Providence is experiencing a wave of investment unlike anything it has seen in a century. Developers and business owners, many of whom had previously been spooked by a city government it did not trust or respect, now see a sound investment and an Economic development partner. Furthermore, our streets are safer, our businesses are busier, and our schools

are improving. We're building value, but we're not where we need to be yet. It's not enough.

It is true that just sixteen months ago we inherited a system with a decade-old legacy of waste, fraud and corruption. But the past is the past and today is today. My responsibility, our responsibility is to tackle these financial challenges and look forward, not backward.

This is the reality. We must continue to build value. We must -- and will -- improve our schools, address a growing housing problem, and deliver top notch everyday services. But we must do so while working to lower the taxpayer burden.

It may sound strange to some of you to hear the word "value" in the same sentence with "city government." Providence has had a reputation for doing the same with more – some years doing less with more – but not doing more with less. But it can be done.

In fact, in the private sector in the 21st century it is the norm. Shop floor managers, plant operators, CEOs, CFOs – they all face a daily demand to boost productivity, increase output, and lower costs. They'll tell you it's not easy, but it can be done. We can do it too.

I know we can do it for two reasons. First, this is not new. It is the approach we have taken from the beginning and the early signs of success are promising. Second, we have the people of Providence to show us the way.

Ever since I sought this office, I have believed that our citizens deserve a government that is more like they are. The values they embody, like creativity, entrepreneurship and adaptability – the values that fueled our great revival – must also guide our city government. Like our businessmen and women, we must combine efficiency with entrepreneurial creativity. We must make tough cuts and shrewd investments. And we must ensure a level playing field for city workers, where hard work and good ideas get fairly rewarded.

Members of the Council, in the spirit of the creative, entrepreneurial and resourceful citizens of our great city, I present the budget for Fiscal Year 2005. Building on what we began last year, it is about making city government leaner, smarter, and stronger. I submit a budget to you tonight that has the lowest increase in city spending in over 20 years. The budget tonight grows by only 1.7% and does not contain a tax increase. Let me repeat that: **THIS BUDGET DOES NOT CONTAIN A TAX INCREASE.**

This budget is serious about getting leaner. It has to be because we are going to significantly lower the tax rate. I am glad to be able to tell you tonight that the tax rate for homeowners will go down. The tax rate for business owners will go down. Not **COULD** go down; **WILL** go down. Not **MIGHT** go down; **WILL** go down. Lowering the tax rate is the right thing to do because our taxpayers are paying too much and they deserve relief.

Tonight I submit a balanced budget of revenues and expenditures of \$563 million dollars just 1.7% higher than last fiscal year – the smallest increase

in *two decades*. This is a lean and realistic budget that provides the services we need and the expenditures we can afford.

Getting lean means making choices that won't please everybody. This budget reflects that. We have cut spending in every major city department. And when I say that we have cut spending, I am not using budget-speak for cutting the annual rate of increase. I am talking about actually spending less taxpayer money. We have either level funded or reduced the budget for nearly every department in City government.

The Providence schools have done painstaking work to get better despite challenges that leave other large city school districts reeling. That is why I know Dr. Melody Johnson and her extraordinary team of educators are up to the challenge we are putting before them. They too must get leaner, smarter, and stronger as the schools will not receive a funding increase in this year's budget. I am recommending that the City's schools receive the same 288 million dollars as they did in FY 2004. Our schools deserve additional resources from the state and we will continue to fight for them. After we asked taxpayers to fund an additional \$11 million for schools last year, we will not ask for one more dollar from property taxpayers for schools this year.

We have reduced the cost of providing services in every operations department except the Police Department. Maintaining a well prepared and fully staffed Police department required an increase of just under 1.7%, less than half the rate of inflation.

We have reduced the size of the work force again this year. This budget eliminates 46 positions for over 1.6 million dollars in payroll savings, which, added to last year's job cuts, means we've eliminated more than 200 positions in 2 years. This city will not tolerate one more job than it needs.

The budget also begins to attack the three major drivers of increased costs in this City: Pension Liability, Debt Service and health care costs. We have increased the level of pension funding, but I am not about to write a blank check for an underfunded pension system, which I will talk more about later.

It also fully funds the necessary debt service payments, which have increased as the cost of constructing new schools has come due. Health care costs in the City have risen once again at unacceptably high rates, just as they have in other cities and in the private sector. We need to change -- and we will change -- how we provide and pay for health care.

These three items are together responsible for \$12.9 million in additional costs for city government. But by cutting elsewhere, we've reduced the total cost increase for the whole city to less than \$9.7 million.

The key to doing more with less is getting smarter. This budget is a reflection of our efforts to make our city government more efficient and more creative so that we're not just holding the line on city services, but improving them.

As I have said, this is a process that started last year. That was when we commissioned a nationally respected firm called Public Financial Management to study Providence's finances. Last April we undertook short term measures to begin shoring up City finances, and last month we announced the completion of a five-year strategic plan. It takes ideas gleaned from their experience with cities all over the country, and it is helping us create a long term, sustainable path to fiscal health without any property tax increases.

Getting smarter as city managers means modernizing and finding new efficiencies, and we're making great strides. A prime example is at the Recorder of Deeds office. The process of finding a deed used to be a classic city government experience of waiting while someone rummaged through overstuffed files. But in January the office implemented software that replaced handwritten lists of recorded transactions with an electronic listing and up-to-the-minute search capability, improving customer service. This may not seem like a technological breakthrough by private sector standards, but it is an example of the small things that are beginning to make a big difference to our bottom line. With these improvements, the Recorder of Deeds office handled 25% more deeds despite three staff vacancies.

At the Department of Inspections and Standards we implemented systems that cleared the kind of longstanding backlogs that made them the source of great frustration for citizens, compromised building safety, and slowed economic development.

Another notorious backlog had long existed for tree removal and grounds service, but that's changing too. The Parks Department recently implemented software that geographically maps and quantifies the requests for service. They learned that most of the requests are concentrated in a few areas, enabling them to use their resources much more efficiently. So much so that the Parks Department plans to clear the backlog and still come in under budget.

In addition to the kind of getting smarter that comes from software and systems, there's also the kind that comes from common sense and just focusing more on saving money. In addition to cutting cell phone use, we found a way to shave off another 30% across the board for savings in the thousands. What innovation brought this windfall for the city? We got competitive, and we switched plans.

But being pragmatic applies to big things too. One of the most important innovations we are proposing is in the tax system. It's as simple as this: the market has radically altered the landscape and it is no longer fair to tax homeowners and businesses at the same rate. Let me remind you, we are going to significantly lower the tax rate for *both* home and business owners, but I have asked the General Assembly to give us the flexibility to set different rates that reflect a fair share from each and maintain the relative tax burden for all classes of property. Re-evaluations are meant to establish tax equity and fairness; not to shift an already heavy burden from one set of taxpayers to another. I am joined in this important effort, and in so many others by my trusted colleagues in the Providence General Assembly

delegation, who are my partners in bringing tax fairness to Providence homeowners. (*Acknowledge General Assembly members present.*)

Doing more with less is not a quick fix, but a long term strategy that requires getting stronger financially. That means making the kind of sound investments that yield healthy and lasting returns.

Principal and interest on City debt accounts for \$50 million dollars in this budget, and we are aggressively seeking ways to create savings and reduce these costs. I have proposed legislation to bring flexibility in our way of financing debt, and have reviewed ways to refinance existing debt and be more conservative about future borrowing. My administration will soon submit a new Capital Plan that reflects this new approach. Subject to market conditions, legislative action, and approval of the City Council, we will be able to refinance certain existing debt and provide additional savings for FY 2005.

One of the most important issues we need to address is the ever increasing cost of funding our pension system. This year's increase is over \$5 million dollars; next year we'll need to add another \$5 million dollars. We have, as committed, increased our funding to 90% of the actuaries' requested funding level, but the system needs review, and needs reform.

I am tonight by Executive Order creating a Pension Reform Study Committee to review our current pension system, and I call upon our union

leadership to join with my administration, the City Council and business leaders and to examine this issue of mutual concern and benefit.

If we are going to do more with less, it is also going to mean that we administer government firmly and with fairness. We have strengthened the City's ability to enforce and administer the many codes within the City. This budget provides resources to enhance prosecution and enforcement in our housing court. We have provided additional resources both in the Law Department and Inspection and Standards to aggressively enforce our existing code. We are also implementing a new tracking system in the Housing Court, which will modernize and link our systems for tickets, liens, and other violations thereby improving the quality of life in our neighborhoods.

We will do more with less, but that doesn't mean we won't fight for every dollar that can and should flow to Providence from other places. Getting our fair share of other revenue sources is critical to our financial health.

Providence is a city of 174,000 people, but on any given day, that number nearly doubles to include shoppers, students, workers and tourists. As the economic, cultural and educational capital of Rhode Island, we bear substantial costs for public safety, for maintenance of our streets, and for other infrastructure.

Increasing the state hotel tax by just 1%, and increasing real estate transfer fees, will mean that guests and sellers pay more so that property taxpayers pay less.

Receiving a reasonable rate of return from our Water Supply Board and from other sources will diversify our revenue base and will help relieve the tax burden of our citizens. Despite our efforts to reduce the cost of government and level fund our schools, it is critical that the state restores or increases funding levels for next year.

We have to be more aggressive in pursuit of state and federal resources to be sure we are getting the taxpayers of this city their fair share. And while we have strong relationships with the General Assembly and our Congressional delegation, still more can be done.

We are planning to bring in a national expert in municipal government and federal appropriations. A 20-year veteran of public service and a top executive with Mayor Tom Menino, can do for us as she has done for other cities – bring in millions of dollars of additional federal grants and appropriations.

When it comes to asking others to do their fair share to support Providence, we can't leave out the city's 7 labor unions, who together bargain for nearly 9 out of 10 city workers.

We have to get leaner and smarter here too. This budget contains no salary increases for city workers. But modernizing our union contracts is key to our financial strategy, in the short term and especially the long term.

We need to tackle a number of issues with our unions, but the one we need to start with is the single biggest driver of cost behind pensions, and that's health care costs. With unrelenting, double-digit increases for many years, we must address this issue.

The first thing we need to do is restructure the health plan for City workers. We did it last year for management, and I can tell you, as one of the city's employees covered by the redesigned health care plan: it's a good plan. It is also less expensive. That convinces me that we can meet labor's demand of a high quality health benefit and my Administration's demand for lower cost care. I believe labor is not only committed to their workers but also to the city that employs them, and I am optimistic that we can reach common ground.

Leaner, smarter, stronger. That's the message of this budget, and that's the goal of this City's approach to its finances. Smaller government is not always better government, but it CAN be better government, if done right.

We have begun to lay the foundation for a City Hall that is more like the city it serves. We are getting more creative, more adaptable, more entrepreneurial.

I look forward to working with my colleagues on the City Council to make this budget a reality, and to, together, moving this city forward toward its magnificent future.

Cutting the workforce will challenge us. Decreasing department budgets is never easy, but Providence's future depends on it. Keeping taxes level despite cost pressures is without question a tough task. But the future of our city depends on it.

I want to close by offering my profound thanks to my budget team and department directors, whose efforts to meet these cost-cutting demands have meant late nights and tough choices. But I assure you, as I assured them: these are the right choices, at the right time, and over time, they will right Providence. Thank you.