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City of Providence, Rhode Island Office of the Internal Auditor

October 29, 2015

Mr. Lawrence J. Mancini
Finance Director
City of Providence
25 Dorrance Street
Providence, RI 02903

Dear Mr. Mancini:

Thank you for providing my office with your FY2016 budget projections based upon the first quarter of the fiscal year. I would appreciate if you would provide information and answers to the following questions concerning the report and your projection of a balanced year-end budget.

Expenditures

Municipal Salaries

Question/Request:

- Please provide additional details and calculations concerning the projected savings of \$503,400 generated by the proposed Local 1033 contract. What assumptions have been made to determine these savings?
- Please provide year-end salary/attrition projections by department that result in the estimated savings of \$716,616.

Fire Department Salaries

Analysis:

Based upon my analysis of actual results through October 23, it is projected that fire callback will end the year approximately \$4.7 million over budget. The fire department's overall salary budget, should a new fire academy not be held in FY2016, is projected to be overspent by approximately \$2.0 million. If the fire academy is held during this fiscal year, it is unlikely that

the new recruits will graduate and be available for shifts before the June 30th. Therefore, only the costs associated with the academy would be added to the projection, which would result in year-end fire salaries being projected \$2.6 million over budget.

Fire Department Year-End Salary Projection (Not Incl. Fire Academy)				
Expenditure Category	Approved Budget	Actual Thru 10/23/15 (8 pay periods)	Year-End Projection	Projected Variance
Salaries	\$30,052,648	\$9,525,069	\$28,571,706	\$1,480,942
Overtime	672,336	24,295	78,960	593,376
Callback	5,027,621	3,423,641	9,727,028	(4,699,407)
Other	4,570,903	707,736	3,902,090	668,813
	\$40,323,508	\$13,680,741	\$42,279,784	(\$1,956,276)

Fire Department Year-End Salary Projection (With Academy*)				
Expenditure Category	Approved Budget	Actual Thru 10/23/15 (8 pay periods)	Year-End Projection	Projected Variance
Salaries	\$30,052,648	\$9,525,069	\$28,571,706	\$1,480,942
Overtime	672,336	24,295	78,960	593,376
Callback	5,027,621	3,423,641	9,727,028	(4,699,407)
Other	4,570,903	707,736	4,555,330	15,573
	\$40,323,508	\$13,680,741	\$42,933,024	(\$2,609,516)
* Academy completed June 30, 2016. Therefore, recruits available for shifts savings at the start of FY2017. Regular salaries for new firefighters budgeted in FY2016 (\$753,400) are unspent.				

The above projections are based upon the following facts/assumptions:

- Total salary savings from not having a new fire academy is \$1,383,640. The savings from salaries budgeted for the academy is \$653,240, while the additional \$753,400 is budgeted salaries for the period April through June 2016 for 55 new firefighters.
- 8.0% salary increase has been incorporated into year-end projections.
- This projection assumes that the number of Injured-On-Duty (IOD) will remain fairly constant and there will be only three retirements during the fiscal year.
- "Other" salaries includes: Temporary Salaries, Holiday, Longevity, Differential, Educational Incentive and Stipends.
- As of October 6, there were 50 firefighters classified as Injured on Duty (IOD), 27 fire fighters on IOD-Light Duty, and 8 fire fighters out and waiting upon a pension approval.
- As of October 6, the fire department's Table of Organization was 394 firefighters. When one considers that 27 positions are assigned to Administration, the Fire Prevention Bureau, or the Bureau of Communications and are not counted toward the minimum manning requirement of 94 per shift and that 85 firefighters are out of work due to IOD, IOD-Light Duty or Awaiting Pension, there were only 94 firefighters available per shift.

- Based upon data from 1979 to present, the average age of a firefighter at retirement is 51 with an average of 25 years of service. As of September 8th, 78 firefighters met or exceeded these averages.

The average number of shifts on callback per pay period since the implementation of the 3-platoon system (pay period #4) is 634. As of the close of pay period #8 (October 23rd), \$1,605,770 of the amount budgeted for fire callback remains unspent. Thus, in order for the department to remain within its budget for callback, the average number of shifts on callback per pay period for the remainder of the fiscal year must not exceed 149.

Fire Callback FY2015 (through October 2014)			Fire Callback FY2016 (through October 2015)			
Pay Period	Amount Paid (Pay Period)	YTD Total	Pay Period	# of Shifts on Callback (Pay Period)	Amount Paid (Pay Period)	YTD Total
1	\$372,081	\$372,081	1	962	\$520,813	\$520,813
2	\$352,381	\$724,462	2	911	\$501,226	\$1,022,039
3	\$325,715	\$1,050,177	3	895	\$503,824	\$1,525,863
4	\$342,517	\$1,392,694	4*	740	\$439,975	\$1,965,838
5	\$342,050	\$1,734,744	5	646	\$383,383	\$2,349,221
6	\$206,539	\$1,941,283	6	658	\$394,577	\$2,743,798
7	\$202,763	\$2,144,046	7	548	\$329,268	\$3,073,066
8	\$236,050	\$2,380,096	8	578	\$348,785	\$3,421,851
			* First full pay period under 3-platoon system			

Question/Request:

- Currently there are approximately 85 firefighters out on IOD, Light Duty or for other reasons. What assumptions have you made for the number of firefighters that will be out of work during the remainder of the fiscal year?
- What assumptions have you made concerning the number of retirements that will occur during the remainder of the fiscal year?
- What assumption have you made concerning when the new fire academy will begin?
- How many recruits will be in the new academy?
- What assumption have you made concerning when the new firefighters will be available to the department?
- What is your year-end projection for callback?
- What is the status of the "SAFER" grant?

Police Department Salaries

Question/Request:

- What is the status of the negotiations on the police wage re-opener?
- Should an agreement not be reached with the F.O.P., what is the expected schedule for arbitration?
- What assumptions have you made concerning the number of retirements that will occur during the remainder of the fiscal year?
- What assumption have you made concerning when the new police academy will begin?
- How many recruits will be in the new academy?
- What assumption have you made concerning when the new police officers will be available to the department?

Heat, Light & Power

Question/Request:

- The Heat, Light & Power budget was reduced in FY2016 to \$6.5 million because of projected savings of \$657,506 generated from the city purchasing streetlights from National Grid. Please provide an update concerning the status of this project.

Revenues

Taxes

Question/Request:

- Please provide a listing all taxpayers who have appealed their 2015 taxes to the City Assessor and/or the Board of Investment Commissioners. Please include address, type of tax, amount of the appeal in property value and tax revenue, and the status of the appeal.
- Please provide the City Collector's latest tax and interest on taxes status report including results through the second quarter tax period.

Transfer from Fund 856

Question/Request:

- What is the status of the effort to sell the Urban League property for \$2.6 million?
- Is the Administration considering selling any other city-owned properties that are not included in the budget?

Fines & Forfeitures

Analysis:

Through September 30th, approximately \$1.4 million of the budgeted revenue (\$7.0 million) from Fines & Forfeitures has been realized. On a straight-line basis based upon first quarter results, this revenue would be projected to end the fiscal year at approximately \$5.5 million (\$1.5 million below budget).

Actual revenue through the first quarter is approximately 20% ahead of results for the same time period last fiscal year. If it is assumed that this trend continues, this revenue would be projected to end the year at approximately \$5.8 million (\$1.2 million below budget).

Revenues	FY2015		FY2016		
	YTD (thru 9/30/2014)	Year-End (unaudited)	Budget	YTD (thru 9/30/2015)	% of Budget
Fines & Forfeits	\$1,076,020	\$4,558,720	\$7,000,000	\$1,375,689	19.65%

Question/Request:

- Please provide information supporting the Administration's projection that this revenue will end the year on budget.

Analysis:

Through September 30th, approximately \$705,000 of the budgeted revenue (\$4.5 million) from Parking Permits & Meters has been realized. On a straight-line basis based upon first quarter results, this revenue is projected to end the year at approximately \$2.8 million (\$1.7 million below budget).

Actual revenue through the first quarter is approximately 15% ahead of results for the same time period last fiscal year. If it is assumed that this trend continues, this revenue would be projected to end the year at approximately \$2.7 million (\$1.8 million below budget).

Revenues	FY2015		FY2016		
	YTD (thru 9/30/2014)	Year-End (unaudited)	Budget	YTD (thru 9/30/2015)	% of Budget
Parking Permits/Meter	\$613,055	\$2,313,850	\$4,489,000	\$704,747	15.70%

Question/Request:

- Please provide information supporting the Administration's projection that revenue from Parking Permits & Meters will end the year on budget.

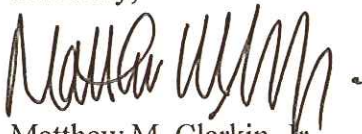
Payments from Colleges & Hospitals

Question/Request:

- What is the status of the total budgeted PILOT payments (\$1,050,000) from Lifespan and Care New England? Specifically, what feedback has the Administration received from both organizations concerning these payments for FY2016?
- According to the report distributed by my office last month, the city will receive a total of approximately \$2.0 million of PILOT payments on "Transitional Parcels" from the various private colleges and universities. The city will not however receive the \$327,844 from Johnson & Wales University due to that payment being pre-paid by JWU in July 2012. Where is the net revenue of approximately \$1.7 million shown in the 1st Quarter report?

If you have any questions concerning any of the information requested, please let me know. Thank you for your time and consideration.

Sincerely,



Matthew M. Clarkin, Jr.
Internal Auditor

Cc: City Council Members
Yvonne Graf, Chief of Staff – City Council
James J. Lombardi, City Treasurer/Sr. Advisor to City Council
Tony Simon, Chief of Staff
Brett P. Smiley, Chief Operating Officer
Lawrence J. Mancini, Finance Director