



CITY OF PROVIDENCE

Angel Taveras, Mayor

Saving Providence

HOW WE GOT HERE - SHARED SACRIFICE

by Mayor Angel Taveras

February 2, 2012

Nearly a year ago, to the day, I stood in this office - at this very spot - to tell you about the category 5 fiscal hurricane Providence was facing.

I told you that the capital city was facing a structural deficit of \$110 million for this fiscal year.

Acting together, we made some difficult decisions – all aimed at improving the structure of the city's finances and at strengthening our fiscal outlook.

I started in the mayor's office - cutting my pay by 10% and refusing my elected-official pension. We also reduced spending across city departments, including a 13% cut in mayor's office budget.

Many shared in the sacrifice to move our city forward.

We laid off nonunion staff and froze nonessential hiring.

Providence tax payers have sacrificed – enduring increased property taxes, car taxes, and fee increases. Many of those same tax payers are battling unemployment, foreclosure, and the general effects of a stagnant economy.

To those tax payers who have sacrificed – thank you. I understand your sacrifice and am incredibly grateful for it.

Last year, our city workers from Local 1033 came to table and sacrificed, reducing their pay and longevity. Many retired to spare their brothers and sisters from layoffs.

Our firefighters, who had fiercely fought for and finalized a contract only months before, came back to the bargaining table. They sacrificed in order to help our great city.

Our police officers took the difficult step of agreeing to as many as six years without a raise in order to save their youngest officers from losing their jobs. Many chose the option of early retirement.

Our teachers went through a very public and painful process of sacrifice. I sent termination notices to all of our teachers.

I then went through the process of closing 5 schools, affecting not only our teachers but our students, parents and neighborhoods.

In addition, Providence teachers pay into the state retirement system and have seen their pension benefits change significantly in the wake of state-level reform.

In all, over 200 people who were on payroll a year ago are no longer on the city payroll.

The General Assembly and the City Council helped us in an unprecedented manner and for that I would like to thank Speaker Fox and Senate President Paiva Weed, the entire Providence Delegation and Governor Chafee. We received support through various pieces of legislation and specifically we were given the ability through enabling legislation to move retirees over 65 to Medicare.

The City Council also worked tirelessly with my administration to advocate for the City and to pass two difficult budgets. I would like to recognize their leadership and thank Council President Solomon, Majority Leader Yurdin, and all of the members of the Providence City Council.

HOWEVER, not everyone has sacrificed. Thus far, our tax-exempts have not sacrificed. The failure of our tax-exempts to sacrifice has left a \$7.1 million hole in our budget.

Collectively, our large hospitals, colleges, and universities own nearly \$3 billion worth of property in the city of Providence. Because of their privileged status as tax-exempts they avoided almost \$105 million in taxes this year. Despite this privilege, the tax-exempts have thus far refused to share in the sacrifice to save Providence.

Our retirees have not yet sacrificed and are hiding behind decades-old contracts and a consent decree that promised ill-advised and unsustainable 5 and 6 % compounded yearly raises. We are being held hostage by the guaranteed, 5% and 6% compounded yearly raises that over 600 retirees are receiving. They have raised our pension liability and yearly contribution into the stratosphere.

Moreover, while our city workers, police officers and firefighters are going without raises, these retirees enjoy the luxury of 5 and 6% compounded raises every year!

We continue to have some retirees who demand and expect health care for life without paying any co-share, costing the city and the tax payer over \$38 million per year. We just tried to lower this cost by taking the reasonable step of moving retirees to Medicare. However, a Judge has ruled that we cannot do this and has pushed the city to the brink of bankruptcy by creating an additional \$8 million hole in the city budget.

Every advisor tells me I should never utter that word, because rating agencies are always listening - but the truth is that we are running out of choices and everything is on the table.

Our top 25 highest paid retirees or their spouses each collect over \$109,000 a year. In all, the City and taxpayers are paying tens of millions to cover these bloated pensions and to foot the bill for the unfunded liability that has resulted from promises made without concern for the future.

As a city we no longer have the ability to sustain these benefits. It must stop now.

This week a judge's decision concluded that the fiscal precipice we are on did not warrant sacrifice from our

police and fire retirees. While I respect the judicial process, I strongly disagree with the ruling. We will fight this decision through all legal channels – in fact, today we will file an appeal to the Rhode Island Supreme Court asking for an expedited review and reversal of her ruling. If the Judge's decision is allowed to stand, the results will be devastating for the city and the state.

I will ask Governor Chafee and the General Assembly for enabling legislation to suspend COLAs at the local level in order to strengthen our legal position as we take the necessary steps to get our pension costs under control.

Our retirees must be part of the sacrifice to save Providence. Let me be clear, we will reduce retiree benefits. Either the retirees will accept a suspension of their guaranteed yearly raises and changes in health care or they will follow the path of Central Falls retirees who have had their full pensions slashed drastically in bankruptcy court.

I am inviting all retired city workers to join me for a town hall meeting on March 3, 2012 – in person at the Rhode Island Convention Center or via a live stream on the internet.

The time for action is now, we cannot wait any longer.

Our retirees must be willing to step up, so must our tax-exempts. No one is exempt from the sacrifices that must be made to save Providence.

Tomorrow I will be meeting with the Providence delegation to the General Assembly. The City will be advocating for the passage of legislation this session that ensures our tax-exempts pay for the critical services that the City provides to them. We will also be seeking the ability to collect property tax on buildings used for purposes unrelated to the educational or healthcare mission of the tax exempt.

My message to the tax- exempts is clear - you cannot be successful in a failed city.

We are left with no room to compromise; a failed city will be a reality if you do not step up immediately.

We will also ask the General Assembly to unburden the city from costly unfunded mandates.

The City and our taxpayers cannot afford them.

My administration is combing through this year's budget for additional savings and cuts in an effort to address our immediate cash flow needs.

As to our taxpayers, let me give you an example of what you may be facing:

A working family of four, who own a modest home in the West End neighborhood and drive an older compact car have seen their taxes increase nearly 13 percent in the last year.

Working families have sacrificed. If tax exempts and retirees do not step up to help save Providence that same family will face an unaffordable, undesirable supplemental tax increase.

Our tax payers already subsidize the tax exempt institutions in this city – for example it takes the revenue collected from 19,000 taxpayers like the one I just mentioned to account for the \$38 million in property taxes NOT paid by Brown University.

It is too much to ask for our tax payers to subsidize these costs going forward – additional tax increases are equal to worsening the personal fiscal crisis already facing many Providence residents.

That said, if our tax exempts and retirees do not share in the sacrifice – tax payers will bear the brunt of this crisis.

We will be forced to move forward with a supplemental tax increase, and once the devastation of that increase sets in – if we are still not able to overcome the challenges before us – we will be forced into bankruptcy.

Public safety, quality of life, and any prospects for economic growth will all be greatly endangered, not just in Providence but in Rhode Island.

Individuals and businesses may follow the city into bankruptcy.

The impact on our city – and the entire state – will be felt for generations to come.

We must do all that we can to avoid this fate.

To Providence tax payers - I need your help advocating on the City's behalf for our retirees and tax exempts to take the steps necessary to save our city.

I know that you have sacrificed already and do not want to add to your burden, but I need your assistance. Please take action at www.savingprovidence.com.

To Providence and Rhode Island business leaders – I need your help as well.

Again, the devastation on the horizon for our capital city is very, very real.

The impact that an exorbitant tax increase and bankruptcy will have on your livelihood and the success of your businesses will be untenable.

You supported our efforts last year at this time, and I have no doubt you will support them again – please take action, alongside our tax payers and me to encourage our retirees and tax exempts to assist in saving Providence.

We have come a long way since last year at this time, working together – as a community – to get to this point. Unfortunately the hurricane has not yet passed.

I will do everything in my power to make sure that this city succeeds, but I cannot do it alone – tax payers cannot do it alone – our city workers cannot do it alone.

Everyone must sacrifice, or everyone will suffer the consequences.