



CITY OF PROVIDENCE

Angel Taveras, Mayor

2012 STATE OF THE CITY ADDRESS MAYOR ANGEL TAVERAS

COUNCIL CHAMBERS, CITY HALL

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(AS PREPARED FOR DELIVERY)

Thank you. President Solomon, Leader Yurdin, honorable members of the Providence City Council and my fellow residents of our great Capital City, I thank you for the opportunity to speak with you this evening about the state of our City.

I want to recognize a special guest tonight; he is a champion of our cities and towns and a trustworthy leader of our state, my friend, our friend, Governor Lincoln Chafee.

PROVIDENCE IN PERIL

Governor, Mr. President, I stand before you today to tell you that *Providence is in peril*.

Providence is in peril, and we must work together to save our great city, our Capital City.

Last March, my Municipal Finances Review Panel revealed that the City was facing a \$110 million structural deficit for this fiscal year. Making difficult decisions and through shared sacrifice, we have reduced the \$110 million to approximately \$22 million. It was a herculean task, but we are not finished. Not by any means. My administration and your internal auditor agree that the City will be out of cash by the end of June and unable to meet payroll. We are on the edge and staring into a black hole.

Tax-Exempt Institutions

We stare into that black hole because some have failed to sacrifice. Our tax-exempt institutions and city retirees have yet to join the rest of our community in helping to save our city.

Collectively, our large hospitals, colleges and universities own nearly \$3 billion of property across Providence — land that would be worth \$105 million in tax revenue per year. We will always

support the investment in jobs and economic development that their continued growth brings to the state. However, we must also recognize that the system as it currently operates means their expansion lays an increasingly heavy burden on those of us who do pay taxes in Providence. It's a system that's unfair and simply unsustainable.

We budgeted a fair and reasonable increase of \$7.1 million from our tax-exempts into the FY2012 enacted budget. We did so because no one is exempt from the sacrifices that need to be made to save our city. And yet, as of today, our tax-exempt property holders have failed to partner with us in making the sacrifices necessary to realize these savings. Tax-exempts must be part of the solution and not part of the problem.

I am hopeful that this week we will announce a new agreement with Johnson & Wales University, reaffirming the University's strong commitment to our city. Thank you to Chancellor John Bowen for his continued commitment to Providence. Our tax-exempts, including our hospitals, must understand a very simple truth: they cannot be successful in a failed city.

Retirees

Nor can our retirees be successful in a failed city. Central Falls taught us that lesson. An unbearable and unsustainable burden of 5 and 6 percent compounded pension COLAs – guaranteed annual raises for retirees – causes the black hole that we face to deepen with each passing day.

These guaranteed annual raises have resulted in the absurdity of each of our top 25 retirees collecting more than \$109,000 a year in a pension. In fact, the retiree who collects the highest pension retired in 1991 with a salary of \$63,500 and now collects \$196,000 per year. Or, put more simply, \$16,400 a month. He collects more than 5 times the income of an average Providence resident. And, he collects more money from the City as a retiree than any working Providence employee.

While our city workers, teachers, police officers and firefighters are foregoing raises, many of our retirees continue to collect 5 and 6 percent compounded raises every year. Taxpayers and business owners know that guaranteed yearly raises of this magnitude – or any magnitude in these economic times – make no sense. This must stop now!

Without structural reform, in the next 10 years, our annual pension payment will grow from \$58.9 million to \$98.7 million – a nearly 70 percent increase.

Added to these pension costs is the promise of free health care for life to our retirees. We spend over \$30 million annually on retiree health care and have an unfunded obligation of \$1.5 billion in other post-employment benefits, mostly related to health care.

Recently, we took a reasonable step that most other cities and towns in Rhode Island have taken. With the help of the General Assembly and this Council we set out to shift our retirees over the age of 65 onto Medicare. This shift would have saved us millions of dollars and would have structurally reduced our unfunded post-employment benefits. Unfortunately, some of our retirees challenged the move to Medicare and a Superior Court judge stopped us from shifting their coverage by issuing a preliminary injunction. Last week, the Supreme Court refused to expedite our appeal and to lift the injunction. As a result, we will not see the expected savings in the cost of retiree health care this fiscal year.

The unsustainable promise of free health care for life continues, the burden on the taxpayer increases and the window of opportunity to pull our city out of the black hole grows increasingly smaller.

WHAT HAVE WE DONE: SHARED SACRIFICE

We must recognize all the work that we have done to stop us from tumbling into the black hole earlier. Eleven months ago we faced a \$110 million structural deficit for the fiscal year. As I stand here today, we have reduced that deficit to approximately \$22 million. The Council was instrumental in making many of these tough choices. The work has not been easy and many people have joined us in sacrifice during this difficult time.

Leadership by example is important and that is why I was the first to cut my pay by 10 percent. I joined with several members of this honorable body in declining my elected official pension. In this fiscal year budget, I also reduced the Mayor's Office budget by 10 percent.

We made cuts in nearly all our departments: Finance, IT, Public Safety, Planning and Development, Public Works, Parks and Recreation, Inspections and Standards, Housing Court, Human Services, Board of Canvassers, Vital Statistics.

We laid off nonunion staff – not because of performance, but because of costs. And today, our City government provides essential services with more than 200 fewer City workers. Providence is doing more with less.

We owe a debt of gratitude to our city workers from Laborers Local 1033 who keep this city running every day and were the first to agree to significant concessions to help the City. Our workers reduced their pay and agreed to pay more for health care in order to help the city and each other. Many retired in order to spare their younger brothers and sisters from layoffs. All the while, these same workers continued to do their jobs and helped us respond to a microblast and a hurricane. Because of the dedication of our workers, our city continued to function. Thank you to Donald Iannazzi, Vicki Virgilio and Local 1033 for helping our city.

Our firefighters, who everyday put their life on the line for our families, came to the table to help the City too. Despite having finalized a hard fought contract less than 6 months earlier, the firefighters agreed to reopen their contract to help the city. Through open communication and fiscal honesty, we renegotiated, reduced minimum manning and passed over scheduled raises. Thank you to Paul Doughty, Phil Fiore and Local 799 for helping our city.

Our police officers, who patrol our streets every day of the year and who had been without a contract or raise since 2006, came to the table too. Faced with the possibility of losing their younger officers, our police officers chose instead to sacrifice and agreed to forego raises until 2013 – leaving them without a raise for seven years. Thank you to Taft Manzotti, Clarence Gough and FOP Lodge 3 for helping our city.

Our teachers, to whom we entrust our children, went through a painful and public process of receiving termination letters from me and seeing five of our schools closed. Despite their justifiable anger, our teachers remained committed to their mission of educating our children. At the same time, they engaged in difficult negotiations and ultimately agreed to be a part of the necessary sacrifice. Thank you to Steve Smith and the Providence Teachers Union for helping our city.

The General Assembly also responded and worked with us to address our category 5 fiscal hurricane by passing legislation that helped us reduce our spending. At the same time, they increased aid to the City of Providence. Thank you to Speaker Gordon Fox, Senate President Teresa Paiva Weed and Majority Leader Dominick Ruggerio for helping our city.

Thank you Governor Chafee for continuing this commitment to all of our cities and towns by accelerating the education funding formula. Thank you for helping our city.

Our homeowners, car owners and business owners, who were carrying a heavy burden, now carry an even heavier burden. Thank you for helping our city.

ACCOMPLISHMENTS

Through this fiscal crisis, we have seen signs of the horizon. Through every storm that has come our way whether it be snow, microblast or hurricane, our City has responded well.

Working together with you, Mr. President, we acted decisively to address the problems at ProCAP and because of that, ProCAP is on its way to recovery and thousands will receive services that they so badly need and deserve.

Through the work of many in this chamber, but especially Councilwoman Castillo, the Westin labor dispute is history and hotel workers earned a fair contract.

We have reason to be optimistic when we see 38 Studios' new video game receive critical acclaim, when we welcome Hasbro to Providence, and when we implement the first Innovation Investment Program of its kind, partnering with Betaspring to stimulate high tech entrepreneurship in our city.

We have recruited new large-scale conventions to our city including Alpha Kappa Alpha Sorority and Netroots Nation. And next winter the American Hockey League All Star Game will come to Providence.

We are one of only 24 cities across the world to win the IBM Smarter Cities challenge and are one of four cities to receive the Urban Land Institute's Rose Fellowship.

We are one of 10 cities in the country chosen by The National Emerald Cities Collaborative to implement a jobs and housing program. This jobs program is designed to retrofit the city's building stock – reducing energy consumption, increasing energy efficiency – and tackling our unemployment problem head-on.

We became a National Emerald City by partnering with organizations such as LISC, the Rhode Island Building and Construction Trades Council, Youth Build and Building Futures, and many others.

Marc Nixon was unemployed and needed a way to support his two young children. He enrolled in a program at Building Futures and started an apprenticeship that led to an opportunity with Local 271 last year. Marc now has a good paying construction job and – more importantly – a career.

His story exemplifies the power of the Building Futures model, connecting Providence residents in need to meaningful careers in the construction trades. These are the types of success stories that will be replicated through our Emerald Cities Providence initiative. Marc is here tonight. Please stand and be recognized.

We have also worked together with you – the honorable members of the City Council - and others to address long simmering issues:

We have played an important role in ensuring that the Arcade, the country's oldest indoor shopping center, will reopen soon with an innovative mix of commercial and residential tenants.

We worked with the Providence Preservation Society to save the façade at 110 Westminster, and we have repaved the street and will reopen the sidewalk to breathe life back into that important corridor as part of a larger effort to maximize our amazing Downcity retail, arts and business districts.

And together, we have insured that our Providence community libraries will continue to serve our children and families.

Together, we amended our Honorable Services Ordinance to make sure that those who render dishonorable service are not able to collect a city pension.

In this same spirit of open and transparent government, I pushed to extend City Hall hours – at no additional taxpayer expense – so working moms and dads can access city services without taking valuable time off from work.

And, because I believe we are better when we are accountable we launched the Provconnex iPhone app that allows our neighbors mobile access to City Hall 24-hours-a-day. The app will allow us to collect constituent requests and utilize performance measures and real-time information sharing between our departments and with our residents.

In short, we've begun the hard work of reinventing city government – making City Hall more transparent, more efficient and more responsive – in spite of the ongoing crisis we face in stabilizing our city's finances.

As we proceed forward, we remain mindful that education is the key to our success as a city, state and country. We will continue to move with what Dr. King called “the fierce urgency of now” to improve all of our public schools and to make sure that all children, regardless of family income, have access to an excellent education. I will work with you, our Superintendent, teachers, parents and children to implement the recommendations of my Educate Providence Report. I know first-hand that strengthening our schools is a necessity for our kids, it's necessary for our local economy and it's critical if we are to compete with other cities, other states and other nations in the years ahead.

As we proceed forward, we also remain mindful that too often our residents witness and fall victim to violence. We must and we will move forward with that same “fierce urgency” to make our city safer and more livable. We will continue to work with community partners to improve public safety in every neighborhood. I am confident that we can look ahead to a safer Providence under the leadership of Commissioner Pare and our new Police Chief Hugh Clements.

WHAT WE MUST DO

Through the collective action and sacrifice of many, we have accomplished a lot in a short time. What once was a \$110 million deficit is now a roughly \$22 million deficit. However, there is more to

do. We must act now to ensure that our city survives. Our options are few and we will consider them all.

We have reduced our payroll by over 200 workers. Further cuts are possible, but will not come without a cost.

I challenge you to imagine a humid July day with the stench of garbage permeating the city because we can only afford to have your trash picked up every two weeks. Imagine the grass in our parks and ball fields overgrown because of further cuts to our Parks Department budget. Imagine that our children cannot escape the smell or the heat because our pools, recreation centers and libraries are shuttered due to a lack of funding. Imagine where our children will be instead and the violence that will result.

I challenge you to imagine our community centers on the brink because we have been forced to eliminate already reduced city support. Imagine our roads continuing to deteriorate as potholes turn to sinkholes because of cuts in DPW. We won't know how many residents will be in need of services, or how many will have called to complain because there will be no one at City Hall answering the phone.

We will be living in a city that is barely recognizable.

But even worse, we will not truly be able to solve our fiscal problems because structural change will have eluded us. We will continue to fund exorbitant pensions with yearly raises and provide free health care for life for our retirees. I cannot allow this.

We cannot solve our fiscal problems without permanent, meaningful and difficult structural change.

We must address the loss of more than \$100 million a year in property taxes as a result of the land holdings of our large tax-exempt educational and health care institutions. We have no more time to wait. That is why I have asked the General Assembly to give our city the tools we need to ensure that our tax-exempt organizations partner with us to be a part of the solution. Our tax-exempts cannot stand quietly on the sidelines any longer. If they refuse to compromise, we will hold them accountable by other means. The time has come for Rhode Island to fall in line with Connecticut and Massachusetts and require that tax -exempts pay taxes on non-mission properties.

We must address our unsustainable pensions and retiree health care costs once and for all. It is time to suspend COLAs for all our retirees. This is not only a question of necessity, but one of fairness. We will also move to cap our pensions so that taxpayers never again fund exorbitant retiree benefits. We will do everything in our power to fight those retirees who claim that they are entitled to free health care for life, irrespective of the financial condition of our city, and refuse to be shifted into Medicare. We may have lost the first battle but we will continue to fight until the retirement system is fairer and more affordable to our overburdened taxpayers.

Our retirees need to step forward and do their part just like our active employees have already done. They can join current city workers and forego their annual raises and help save our great city. Or alternatively, they will be forced to join in our sacrifice when we fall off the edge. If we fall, our retirees will be looking at much more than a simple suspension of their raise.

We cannot ignore the fact that even if we reduce our costs and obtain additional support from our tax-exempt institutions, we may be faced with the untenable – a supplemental tax increase. I understand that our taxpayers are struggling and many cannot withstand another increase. Mr.

President, you and members of this honorable body have expressed your opposition to any supplemental tax increase. Frankly, I agree. But I would not be honest with you and the City of Providence if I did not tell you that it may be an unavoidable necessity.

I am reminded every day that we are still in an economic recession that has hit the City of Providence particularly hard. Our residents are struggling with a two-fold crisis - foreclosures and unemployment. We must continue to grow our economy and help spur the creation of jobs in our capital city. To help attract and retain businesses into our city, we must assure them that we are fiscally sound and vibrant.

CONCLUSION

As we proceed forward, we must remember our responsibility to the rest of the State. Rhode Island is dependent on Providence for its economic success. Rhode Island cannot afford for Providence to follow the path of Central Falls. I will do all that I can to make sure we avoid that fate. However, without structural change, we will only delay the day of reckoning.

I am willing to do whatever it takes to tackle our budget deficit, and shepherd Providence successfully through June, into the next fiscal year and toward a brighter, more sustainable future. But I am not willing to take a short-term, short-sighted approach to the real problems that plague our Capital City.

This year, one way or another, we will address the broken pension and health care systems that are draining our city. We will address the problem of large tax-exempt institutions that are poised to expand their footprint dramatically in the coming years, but are still unwilling to compensate the city for the millions of dollars of services they receive.

There is reason to believe in our city. In truth there is hope. Time and again throughout America's history we have seen opportunities arise out of challenges and we know that the brightest days are born from the darkest nights.

In the year ahead, I will continue to lead our city through this most difficult time - guided by the certainty that right is on our side, and that on the other side of this painful and agonizing work is the promise of a new day and a new future for our children.

Governor, Mr. President, Mr. Leader, members of the City Council, I look forward to working with you and seeing the dawn of that new day.

May Divine Providence continue to guide our Capital City and the State of Rhode Island.

Thank you very much.

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