



Mayor Angel Taveras

Fiscal Year 2013 Budget Address

A Balanced Approach Protecting Taxpayers and Positioning Providence for the Future

Monday, April 23, 2012
(as prepared for delivery)

Mr. President, Mr. Majority Leader, members of this esteemed Council, thank you for the opportunity to present my vision for Providence's fiscal future. I'm also honored to welcome members of the General Assembly to Providence City Hall.

Moment of Silence

President Solomon, I would like to begin this evening and ask all of us in this room to observe a moment of silence. Last week, we lost one of our finest. Sgt. Maxwell Dorley, a 15 year member of the Providence Police Department, died while responding to a call to help his fellow officers. Our thoughts and prayers go out during this difficult time to Sgt. Dorley's entire family, including his brothers and sisters on the Providence Police force.

Also last week, Nicole Cianci, daughter of former Mayor Cianci, passed away. Nicole was a young woman who constantly worked to help others. Our thoughts and prayers go out during this difficult time to Nicole's children, Nicole's mother, Sheila and former Mayor Cianci.

In their memory, please join me in a moment of silence.

Thank you.

Introduction

To my neighbors from across Providence, tonight, we come together to reflect on what we have done in the past year and to look forward to the upcoming year.

We look ahead with a careful eye on the challenges we face today. From those challenges – which have tested our city and our state – I do believe we can find opportunity if everyone works together and shares in the sacrifice of saving our city.

We have faced many challenges in the last 15 months. Together, making tough choices, we have made progress toward sustainable, structural reforms. And I believe that progress will beget more progress and that we are beginning to see tangible forward motion. The structural reforms we must continue to push will put immediate fiscal threats in our rearview and position Providence to make progress toward the ambitious goals we have set for this city:

- Goals to foster an economic climate that is welcoming to entrepreneurs and businesses so that we can create jobs and get people back to work;
- Goals to improve education so all students have access to a world class education; and
- Goals to improve public safety so all of our neighbors feel safe in each and every community in our city.

The work ahead of us will not be easy. Progress never is. And we may not see the results immediately. But the budget I present to you, Mr. President, offers a balanced, comprehensive approach that guides Providence through the immediate fiscal crisis and positions our great city to compete with other cities and other states in the new economy.

Mr. President, I present to you a \$638.4 million budget that holds the line on city spending. You will see a total increase in city expenses of \$4.8 million, but that includes \$7.7 million that we have committed to rebuild our rainy day fund. Our city spending is actually lower than last year. My proposed budget protects our priorities with level funding for vital city services, continued support for community centers, libraries and public safety. Through the accelerated funding formula proposed by the Governor and recalculated state school aid, our budget increases support for public education by \$19.7 million.

President Solomon, Leader Yurdin, members of the City Council, the budget I present today looks into the future responsibly and includes structural and sustainable fiscal solutions that put Providence on a path for progress.

Still, before we can look to the future, we must understand and take note of how far we have come.

How Far We Have Come

Two months ago, in this ornate chamber, I stood before you and told you bluntly that Providence was in peril.

13 months ago, I told you we were facing a Category Five Fiscal Hurricane. Together, through the partnership we have established on the 2nd and 3rd floors of this historic building, through forward-looking partnerships with labor, with city employees, with community and business leaders we made substantial progress. Together, we took on the difficult work to eliminate a \$110 million structural deficit. And to date, we have cut that \$110 million deficit by nearly \$90 million.

With transparent leadership, we brought our laborers, our police, our firefighters and our teachers back to the table and renegotiated contracts, saving the City millions. Through honest conversations, we engaged our neighbors and asked them to be a part of the sacrifice too.

Because I believe in leadership by example, I cut my own pay 10 percent, cut my office budget by 10 percent and – along with a number of our Council members – I refused my elected official pension. In the last year, we cut spending in nearly every city department. We took the difficult action of closing schools. We reduced our workforce by 200 workers.

We asked everyone to do more with less. Actually, we asked them to do better with less.

Even with all the cost cutting of the last year, we still imposed a significant tax increase on our taxpayers.

We have made progress because many have sacrificed.

The Work Ahead

Despite the progress we have made, we still face a challenge in the current fiscal year. We must close a \$22.5 million budget gap before the end of June. It has become abundantly clear that in order to restore structural balance to our budget we need our tax-exempts to be part of the solution and we must reform our pensions. These structural reforms help protect our priorities in future years and help strengthen our ability to manage cash flow through the current fiscal year.

We must recognize that our property taxes, both residential and commercial, are high. Our commercial property tax rate is one of the highest not just in Rhode Island but in the whole country. Our taxpayers are carrying a heavy burden.

At the same time, Rhode Island has the second highest unemployment rate in the country. Last week, new unemployment data was released showing that more than 11 percent of Rhode Island residents are unemployed. The numbers are even higher in Providence. The Providence Metropolitan Area is one of only two metro areas in the country that is not adding jobs. And today, a local economist said that Rhode Island's economy is at a "virtual standstill." That is unacceptable. We can and we will do better. We must be mindful of the burden on our taxpayers and the struggle of our unemployed.

Budget Assumptions

As we built this budget, we made several important assumptions: Assumptions regarding our tax-exempts; pension reform; and increased state aid for public education.

Tax-Exempts

Our tax-exempts must be part of the solution to our fiscal crisis. Since I last addressed this chamber, we have reached an historic agreement with Johnson and Wales University that will at least triple the contribution that institution makes to the city. I am thankful for Chancellor Bowen's willingness to be a part of our solution and reminding all of us that none of our tax-exempt institutions can be successful in a failed city.

In recent weeks, thanks to the support and advice from Governor Chafee, Speaker Fox, Senate President Paiva-Weed and Senate Majority Leader Ruggerio, I have held productive talks with our largest tax-exempt institutions. This week I will continue our dialogue with Brown University. I am also continuing discussions with Lifespan. I am confident that we will reach agreements that help the city protect vital services for our residents and also encourage our tax-exempt institutions to grow jobs in our city.

I am optimistic that we will reach a deal with most, if not all of our tax-exempts before the end of this fiscal year.

But if we do not, I – along with the members of this Council – will look to the General Assembly to pass legislation allowing cities and towns to collect a fee from our tax-exempts for the critical services that we provide everyone in our city. In addition, we will ask the General Assembly to follow the existing law in Massachusetts and Connecticut and require tax-exempts to pay taxes on property that is not being used directly for their tax-exempt purpose.

The budget I present to you tonight includes approximately \$7 million in additional contributions that we have been seeking from our largest tax-exempts. I believe we will achieve this goal.

Retirees and the Providence Pension Protection Plan

We must also address the growing costs of our pension plan, specifically our retiree benefits. We must make reforms to our pension system and lower our costs for retiree health care. We need to address these issues to move past the immediate crisis but also to save the system for our retirees and our current employees.

I commend you, Mr. President, for establishing the City Council Subcommittee on Pension Sustainability, and I applaud Chairman Salvatore's leadership and the hard work of all the Council members on this Subcommittee. The recommendations released last week – what I am calling the Providence Pension Protection Plan – are comprehensive and provide a roadmap for pension reform in our city.

My budget depends on this Council passing comprehensive, sustainable and structural pension reform. I urge immediate consideration and action on the Providence Pension Protection Plan. I urge you to act now. If we do not pass pension reform, Providence will fall into a black hole and we will all but guarantee that we will lose our grip on the future.

Let me be clear: My budget assumes the full savings from the Providence Pension Protection Plan, including millions from suspending guaranteed annual raises (COLAs) for our retirees.

Rarely in government do we have two cut and dried choices: This is one of those rare times. We can choose to act and position Providence to be the next great American comeback story. We can act and have people look to our skyline and rivers as a model for reform and revitalization, as they did with Chicago in the 1980s, New York in the 1990s, Baltimore in the early 2000s and Pittsburgh today. We can set Providence on a sustainable path that will ensure we leave our children a stronger more vibrant city. And we can spare our neighbors from additional taxes.

Or . . . we can do nothing, cling to the unreasonable hope that this will resolve itself and watch the city that we love fall into a black hole and make negative national headlines because of our plight.

I choose to act. I choose to make meaningful, comprehensive, necessary reforms. I choose to spare your neighbors and mine the burden of unsustainable and unfair tax increases. We have engaged some of our retirees in negotiations but because of the fact that no one entity represents retirees, any type of collective settlement is much more difficult.

Mr. President, members of the Council, I stand strong with community leaders, business leaders and city workers to call on you to pass the Providence Pension Protection Plan and position our capital city for the future.

State Education Aid

Lastly, my budget for public education depends upon the leadership of our partners in the State House. I have proposed a \$19.7 million increase in public education that includes increased funding the City can expect from the state as a result of the continued implementation of the school funding formula, including acceleration of that aid as proposed by Governor Chafee. Especially during these difficult times, we need to recommit ourselves to make sure that we prepare our children to compete in the New Economy.

Taxes

Last year, we increased taxes a total of approximately 10 percent on the average homeowner with a vehicle. It was an increase that added to the already heavy burden that our taxpayers were carrying. Our commercial property owners saw a tax increase. To make things worse, far too many of our residents are still struggling to find employment and to pay their bills.

Expanding the Tax Base and Maintaining Tax Rates

However, because of the choices we made together last year, we grew our tax base during the past 12 months. The ordinance that Councilman Zurier sponsored and this Council passed requiring homeowners to reapply for the homestead exemption has helped the city properly classify property. That ordinance helped make sure that only those who actually live in their home and have vehicles registered in Providence can claim the 50 percent owner-occupied homestead exemption. As a result of this ordinance, we have fewer homes which qualify for the owner-occupied homestead exemption. In addition, we have seen an increase in the number vehicles registered in Providence. As a result of these reforms and other factors, we expect to collect an additional \$6 million of property and vehicle taxes in FY13 than we did in FY12. We also expect a modest increase in revenues from tangible taxes.

Due to the expansion of our tax base, the City can expect an additional \$4.8 million in total tax revenue in the next fiscal year. Because of this expected increase in tax revenue, my budget does not raise tax rates or call for new taxes.

I know that taxpayers are carrying an almost unbearable burden and I do not want to add to it, especially when so many are struggling to find a job.

Tough Choices to Move Providence Forward

This budget is a result of the tough choices we have made to move Providence forward. Because of the expansion of our tax base, we can expect to collect nearly \$435 million in tax revenue and fees. That is an increase of almost \$5 million (or 1.12%) over 2012. In addition, the budget anticipates \$197 million in state and federal aid for Providence Public Schools – an increase of nearly \$20 million in support over last year.

Our tough choices and shared sacrifice have also resulted in reduced spending on the city side. The budget calls on us spending slightly over \$310 million on the city side, an increase of almost \$5 million (or 1.58%) from 2012. However, we are putting \$7.7 million dollars away to rebuild our rainy day fund. Taking that into account, we are actually spending less in FY13 than we did in FY12.

The City will level fund education by investing almost \$125 million in our schools. The rest of our school budget will be funded by the state education aid that we receive, including the accelerated implementation of the school funding formula which Governor Chafee included in his budget.

This budget is a way forward. It is an opportunity to begin the work to move the city forward. And that work starts with the next generation.

Education

Education is the most important economic development investment we can make. And because of Governor Chafee's and the General Assembly's leadership, we are in a position to increase funding for education: funding that will support teachers and students and give parents more choices. But with that additional funding, we must set higher standards.

We must demand more from everyone: our students, our parents, our teachers and our administrators. Our schools cannot do it alone. Education requires the entire community to get involved. In the coming weeks, as I work with the Council to pass this budget, I will unveil my plans to ensure all Providence students are reading on grade level by 3rd grade. Economic growth starts in the classroom, and that is truer today – during these challenging times – than any other time.

Jobs

We are educating our children to prepare them for the New Economy. But the truth is, the most important job we can create is the next one. We must make it easier and more attractive to do business in Providence. I have heard that from the business community. I have heard that from our neighbors. And it is why my FY13 budget avoids increased and additional taxes. We must show potential investors that they can move to Providence and expect stability. We must also show potential employees – our future neighbors – that Providence is a great place to raise a family and contribute to the community.

Public Safety

Good jobs are created in safe cities. As we navigate through these difficult times, we must do everything possible to maintain an environment in which people are safe in all of our neighborhoods. To do that, we have maintained our investment in public safety. But public safety must include community partnerships and community engagement. That is why this budget also protects our commitment to our community centers, our recreation centers and our libraries. The more young people that we engage in our community programs, the more we can do to prevent crime.

Conclusion

In the weeks and months since Providence was blocked in its effort to realize millions in savings by moving retirees 65 and older onto Medicare, we have received national attention about the possibility that our city could go bankrupt.

Yet, tonight I present to you a balanced budget for next year that begins to rebuild Providence's rainy day fund and grows the city's tax base without raising taxes on homeowners, car owners and businesses.

This is only possible because of the painful, difficult decisions we have made in the past year and the significant accomplishments we have already achieved to close Providence's structural budget deficit. Such progress is a result of the sacrifices that so many have made to save our capital city. And because of the structural reforms we made in our contracts, we can see tangible savings in this budget and future budgets. And we can also identify a path through this current fiscal year. With the reforms we have made and the reforms I urge you to act upon, we can manage our cash flow through the end of June.

Indeed, this budget represents progress for our City of Providence. It shows our city successfully pulling back from the brink and positioning for a new era of growth and prosperity.

But let me be clear: This budget counts on our ability to finish the difficult work of structural reform. It once again relies on increased support from all of Providence's large tax-exempt institutions. And it rests on the conviction that Providence must finally fix its broken pension system in the days and weeks ahead.

Because make no mistake about it: We will never win the promise of a brighter future, and the threat of eventual, inevitable bankruptcy will continue to plague our city if we do not accomplish pension reform.

As I said two months ago: "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."

I see great things in our future. I can see the path for progress. But we must choose that path. We must open that path. We must be mindful of where we want that path to go.

Mr. President, I urge you and your colleagues: Pass this budget. Pass pension reform. Let's continue to work with our partners in the State House to help us with the tax-exempts. I urge you to continue to

stand with me and stand behind the balanced approach I have presented in the Fiscal Year 2013 budget because if you do, I am wholly confident that we will save Providence and move our city forward to new heights.

Thank you very much.

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