

CITY OF PROVIDENCE

THREE YEAR BUDGET PROJECTIONS

FISCAL YEARS 2013 - 2016

Overview

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- This Three Year Financial Projection provides a baseline fiscal outlook for the City of Providence. The forecast is intended as a benchmark report to assist the City Council assess the affordability and desirability of alternative policy, program and budget options.
- A balanced FY 2013 budget was assumed and used as the foundation for the out year revenue and expenditure projections.

OVERVIEW

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- The forecast finds that from the FY 2013 adopted budget base, projected expenditures will exceed projected revenues in each of the out years through FY 2016.

FISCAL YEAR	PROJECTED BUDGET GAP CITY	PROJECTED BUDGET GAP SCHOOL	PROJECTED BUDGET GAP TOTAL	TOTAL PROJECTED BUDGET	PROJECTED DEFECIT AS % OF EXPENDITURES.
FY2014	\$26,483,767	\$5,469,061	\$31,952,829	\$676,852,711	4.72%
FY2015	\$33,836,943	\$11,721,577	\$45,558,520	\$698,727,039	6.52%
FY2016	\$36,881,217	\$12,554,243	\$49,435,460	\$710,884,462	6.96%

REVENUES

CITY GENERAL FUND
FISCAL YEARS 2013 - 2016

PROPERTY TAXES

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- Property taxes are projected to remain at current levels through FY 2016.
- If a tax increase is deemed necessary, RIGL 44-5-2 established that a City may increase its tax levy by a maximum of four percent (4.0%) in excess of the total amount levied and certified the previous fiscal year.

MAXIMUM TAX INCREASE

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Fiscal Year	Total Levy	Net Levy (92.5%)*	Max. Increase to Net Levy
2013	\$332,768,119	\$307,810,510	-
2014	\$346,078,844	\$320,122,930	\$12,312,420
2015	\$359,921,998	\$332,927,848	\$12,804,917
2016	\$374,318,877	\$346,244,962	\$13,317,114

*Assumed collection rate = 92.5%.

STATE AID

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- According to the five-year budget projections in Governor Chafee's proposed FY2013 budget, Motor Vehicle Excise Tax Reimbursements, Distressed Communities and PILOT Payments are expected to be level funded through FY 2016
- School Debt Construction revenue is scheduled to decrease in FY 2014 by \$4.2 million

	2013	2014	2015	2016
School Debt Construction	\$29,026,848	\$24,849,398	\$24,559,055	\$24,260,029

DEPARTMENTAL REVENUES

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- ❑ Water Supply Medical Reimbursement
 - This reimbursement from the Providence Water Supply Board for retiree medical benefits is projected to increase by the same percentage as the city's medical costs.

- ❑ Reimbursement - Water Supply Board
 - A 5% increase is assumed to the Water Supply Board's reimbursement for city services
 - Any increase to the Water Supply Board's reimbursement will need to be approved by the Public Utilities Commission (PUC).

DEPARTMENTAL REVENUES

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- City Tax Assessor
 - ▣ The Assessor's revenue is reduced \$480,000 in FY 2014, due to the one-time state reimbursement of costs associated with the Statistical Update of property values that is currently underway. A corresponding reduction of \$480,000 in expenditures is shown in the City Assessor's FY 2014 budget.
- Inspection & Standards Fees
 - ▣ It is projected that revenues will increase annually by 2.0%.
- Recorder of Deeds:
 - ▣ It is projected that annual revenues generated from recording fees and the Conveyance Tax will increase annually by 2.0%.

DEPARTMENTAL REVENUES

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- Planning & Development:
 - This federal reimbursement of Planning & Development salaries is projected to increase annually by the across-the-board salary increases established in the Local 1033 contract.
- Reimbursement Blue Cross Providers:
 - This federal reimbursement is projected to increase annually by the same percentage as the city's medical costs.
- Transfer from Company 10 (School Department):
 - This transfer of \$1 million from the school department was a one-time general fund revenue in FY 2013. A corresponding reduction of \$1 million in expenditures is shown in the School Department's FY 2014 budget.

EXPENDITURES

CITY GENERAL FUND
FISCAL YEARS 2013 - 2016

Salaries

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- Total employee salaries are budgeted in FY2013 at \$107.9 million or 35% of the general fund expenditures.

- ▣ General Fund: Across-the-Board Salary Increases (%)

<u>Bargaining Unit</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Providence Firefighters IAFF - Local 799	0%*	0%*	0%*
Fraternal Order of Police - Lodge 3	4.00%	4.00%	0.00%
Public Services Employee's - Local 1033	3.00%	3.00%	0.00%
Non-Union Employees	3.00%	3.00%	0.00%
*No Increase Scheduled, but Salary Reopener via MOU Possible No increases projected, not established by contract			

SALARIES

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- Firefighters
 - ▣ Additional Salary Changes
 - There are wage re-opener clauses contained in the contract for July 1, 2013, July 1, 2014 and July 1, 2015. It has been assumed, however, that there will be no salary increases from FY 2014 through FY 2016.
 - ▣ Retroactive Monies
 - In the most recent CBA, Local 799 deferred retroactive monies (\$1.8 million) due to members from a one percent (1.0%) across-the-board salary increase effective January 1, 2008 and a two percent (2.0%) increase effective January 1, 2009. Twenty-five percent (25%) of the deferred amount was paid in FY 2012 and twenty-five percent (25%) was budgeted in FY 2013. The final fifty percent of the deferred amount (\$900,000) will be paid in FY 2014.
 - ▣ Stipend
 - Effective July 1, 2013, a new “Hazardous Materials Operations Certificate” stipend of \$10 per week will be in place. The estimated annual cost of this stipend of approximately \$228,000 has been incorporated into the fire department’s FY 2014 salaries
 - ▣ Minimum Manning
 - Effective June 30, 2014, the minimum manning level per shift returns to 92 from its current of 90. An additional \$730,000 has been added for Callback in FY 2015.

SALARIES

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- Local 1033
 - The approximate 600 city employees represented by Local 1033 are scheduled to receive 3.0% across-the-board salary increases effective July 1, 2013 and July 1, 2014
 - It is estimated that these salary increases will cost the city \$835,000 and \$860,000 in FY2014 and FY2015 respectively.
 - It has been assumed that the subsequent contract with Local 1033 will not contain any salary increases to take effect in fiscal year 2016.
- Non-union Employees
 - It has been assumed that the salaries of non-union employees will mirror that of Local 1033-represented employees.

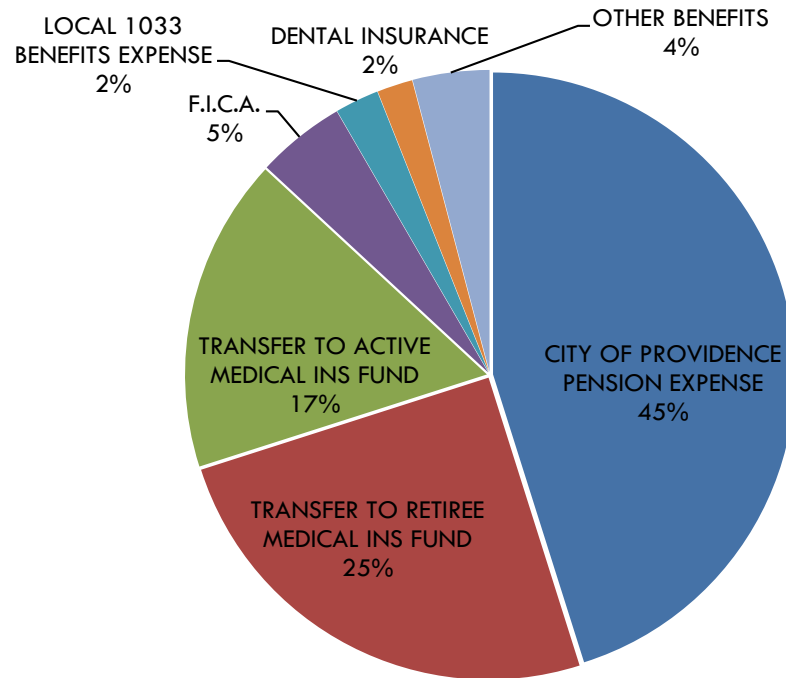
SALARIES

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- Fraternal Order of Police (FOP)
 - The approximate 490 city employees represented by the Fraternal Order of Police (FOP) are scheduled to receive four-percent (4.0%) across-the-board salary increases effective July 1, 2013 and July 1, 2014.
 - It is estimated that these salary increases will cost the city \$1.25 million and \$1.3 million in FY2014 and FY2015 respectively.
 - It has been assumed that the subsequent contract with the FOP will not contain any salary increases to take effect in fiscal year 2016.

EMPLOYEE BENEFITS FISCAL 2013

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Total \$90,214,663

Employee Benefits

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□ PENSION CONTRIBUTION

▣ Forecast of Annual Required Contribution (ARC)

FY	2013	2014	2015	2016
City	\$46,917,588	\$48,368,225	\$50,084,233	\$51,861,738
School	8,120,212	8,371,279	8,668,276	8,975,916
Other	3,106,713	3,202,769	3,316,397	3,434,097
Total	\$58,144,513	\$59,942,273	\$62,068,906	\$64,271,751

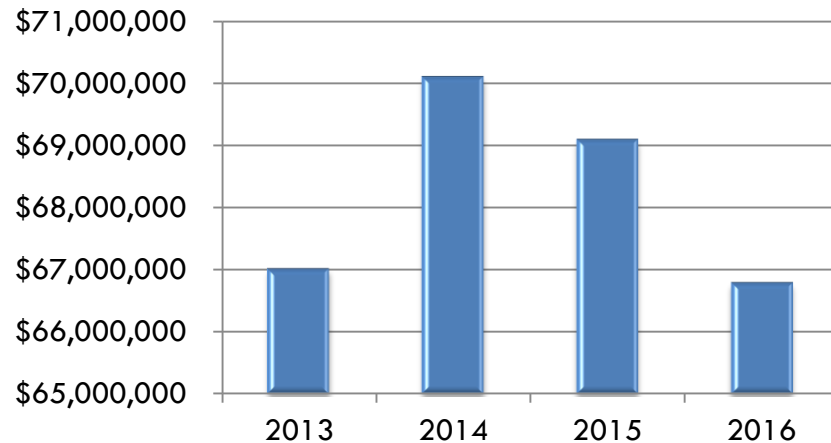
□ MEDICAL BENEFITS

- ▣ The projected annual increases in this analysis mirror the expenditure assumptions made in the State of Rhode Island's most recent five-year budget forecast. Specifically, medical costs for active employees are projected to increase 7.1% in FY 2014, and 7.7% in FY 2015 and 6.1% in FY 2016.

DEBT SERVICE

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Total Debt Service



- Debt service forecast is based upon an assumption that the only new debt issued through June 30, 2016 will be the \$40 million, General Obligation Infrastructure Bond approved by voters on November 6, 2012.
- The main cause for the reduction of debt service payments between FY 2014 and FY 2016 is that four bond issues will mature over this period.

DEPARTMENTAL EXPENDITURES

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□ DEPARTMENTAL LINE ITEMS

- Departmental line items are assumed to increase throughout the period at the rate of the Consumer Price Index for Urban Wage Earners (CPI-U). Departmental line items are projected to increase 2.7% in FY 2014, 2.8% in FY 2015, and 2.1% in FY 2016.

□ City Tax Assessor

- A \$480,000 expenditure reduction from the one-time cost associated with the Statistical Update is reflected in FY 2014.

□ Highway Capital

- The Structures & Improvement line item for FY 2013 included one year funding of \$250,000 for capital projects. This line item is expected to be reduced in FY 2014 and remain at \$100,000.

□ Heat, Light & Power

- According to information provided by the city's Sustainability Director, it is projected that utility costs will increase by a total of 10.3% by FY 2016.

DEPARTMENTAL EXPENDITURES

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□ FY2011 OPERATING DEFICIT

- According to the city's external auditor, Braver, the city's operating deficit for the fiscal year ending June 30, 2011 was \$6.7 million. As required by RIGL, the city began in FY2013 to appropriate \$1.34 million (1/5th of the FY2011 deficit) to replenish the city's reserve account. This amount will be appropriated annually until the total is replenished in FY2017.

□ FY2012 OPERATING DEFICIT

- In addition to the repayment of the FY2011 operating deficit, the city will begin in FY2014 to replenish the operating deficit for FY2012. The official operating deficit will be stated in the city's annual audit, which is scheduled to be published in December 2012. For the purposes of this three-year budget projection, an operating deficit of \$16.9 million has been assumed.

□ RAINY DAY FUND

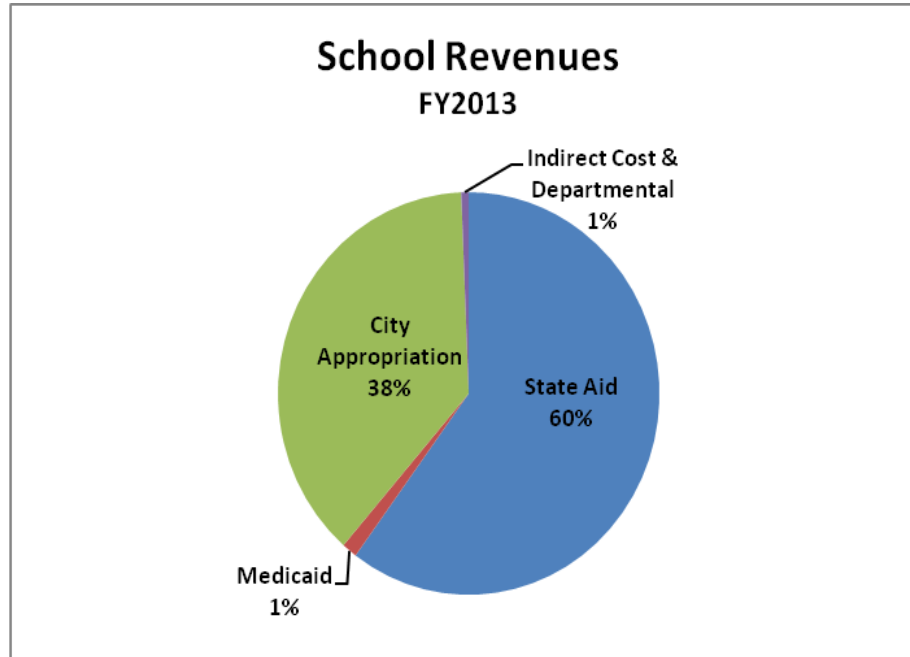
- The City Council in July 2011 amended Chapter 21 of the City's Code of Ordinances to require that one-percent (1.0%) of total expenditures be set aside in the city budget to establish a Reserve Account. In the current year budget, one-percent (1.0%) of municipal expenditures has been appropriated to for that purpose. Due to the financial projections in this analysis, it is unlikely that the city will be in a position to reserve 1.0% of total expenditures. Therefore, it is assumed that the city will continue to reserve 1.0% of municipal expenditures throughout this period.

REVENUES

SCHOOL DEPARTMENT
FISCAL YEARS 2013 - 2016

SCHOOL DEPARTMENT

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SCHOOL REVENUES

- The majority of school department's revenue is received from the state of Rhode Island. State Aid is driven by student enrollment and the statewide funding formula, which is projected to provide annually an additional \$8.01 million to the school department. State Education Aid is projected to increase 12.7% from fiscal 2013 through 2017.
- It has been assumed in this analysis that the city's contribution to the School Department will be funded at the FY 2013 level (\$124,896,611) through FY 2016. Currently, the city's contribution accounts for 37.95% of the School Department's revenues. Based upon the School Department's projected FY2016 budget, the city's contribution, if level funded, will fall to 33.74%.

EXPENDITURES

SCHOOL DEPARTMENT
FISCAL YEARS 2013 - 2016

SCHOOL SALARY INCREASES

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	2014	2015	2016
Teachers (3%, 3%)	\$3,820,000	\$4,100,000	\$0
Local 1033	\$645,000	\$664,350	\$0
Local 1339	\$245,176	\$252,531	\$0
All Other	\$329,650	\$339,539	\$0
Federal	\$500,000	\$515,000	\$530,450
Teacher Steps	\$761,000	\$783,830	\$807,345
Non-Union Steps	\$62,000	\$63,860	\$0
TOTAL	\$6,362,825	\$6,719,110	\$1,337,795

EMPLOYEE BENEFITS

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□ Pension Contribution

- It is assumed that there will not be any significant changes made to pension benefit through FY 2016.

□ Medical Benefits

- The projected annual increases to the school department's medical costs mirror the medical expenditure assumptions made in the State of Rhode Island's most recent five year budget forecast. Specifically, medical costs for active employees are projected to increase 7.1% in FY 2014, and 7.7% in FY 2015 and 6.1% in FY 2016, while medical costs for retirees is projected to increase by 6.86% each year.
- Increases to employee medical co-share payments, however, reduce the net increases for active medical to only 3.0% in FY 2014.

LINE ITEMS

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- Custodial Services
 - The current contract with Aramark, Inc. for custodial services at the school department's 46 buildings is scheduled to increase 3.0% annually through FY 2016. The FY 2013 budget for custodial services is \$17,351,465.
- Tuition
 - A total of \$14,661,456 has been appropriated in FY 2013 for tuition for approximately 350 special needs students attending out-of-district schools. It is projected that the cost for out-of-district tuitions will increase 3.0% annually.
- Tuition to Charter Schools
 - Approximately 1,300 Providence students attend out-of-district charter schools. The District's annual per pupil payment to charters is currently \$3,500. The per student cost is scheduled to increase 52.6% between FY 2013 and FY 2016. Therefore, assuming no change in the number of Providence students attending out-of-district charter schools, the District's payments to charters is projected to increase from \$3.8 million in FY 2013 to \$5.3 million in FY 2016.

LINE ITEMS

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□ Achievement First Charter School

- The recently approved Achievement First Charter School (AFCS) is scheduled to begin operations in FY 2014. Based upon an assumption that 75% of students attending AFCS will be from Providence, it is projected that the net cost to the District will begin at \$580,000 in FY 2014 and grow to \$3.1 million in FY 2016.

□ In-District Charter Schools:

- Additional costs associated with the designation of In-District Charter schools have not been included in this analysis. Should a city school be designated in the future as an In-District Charter School, there will be additional costs to the District.

□ Utilities

- According to the city's Sustainability Director, the District's utility costs will begin to be reduced in January 2013 when a new contract with Direct Energy goes into effect. It is projected that electricity costs will be reduced in FY2014 by close to 13%, which will result in savings of approximately \$325,000. The District's electricity costs are projected to increase 2.3% from FY 2014 to FY 2016. It is expected that the District will spend approximately \$2.6 million on electricity in the current fiscal year.